THE Freeman

IDEAS ON LIBERTY

NOVEMBER 1960

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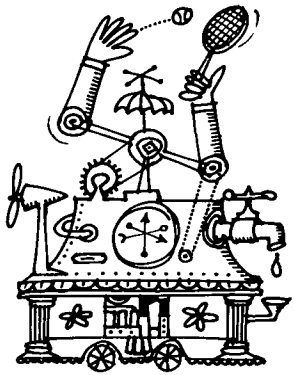

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THE Freeman

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The Man Who Smelled the Future

JOHN CHAMBERLAIN

Culver Service

ON JANUARY 30, 1883, William Graham Sumner, Yale's controversial professor of political and social science, stood before an audience in the rooms of the Brooklyn Historical Society and delivered a soon-to-be famous speech on "The Forgotten Man." This Forgotten Man, so the professor said, was the victim of a conspiracy. Aspiring to no office, desiring and giving no trouble, the Forgotten Man did his own work without complaint. He might be the average savings bank depositor bent on adding his mite to the productive capital of the world; he might be a workingman who had scraped together enough money to build a small two-family house whose second story could be rented to meet the mortgage payments. But, despite his own willingness to stand on his own feet and ask nothing of the world, the conspirators would not leave him alone.

No, the Forgotten Man was the C in what was shortly to become a famous social equation – the sacrificial goat whom A and B (the professional do-gooders and their allied politicians) forcibly levied

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Mr. Chamberlain, noted critic, journalist, and editor, regularly presents "A Reviewer's Notebook" in THE FREEMAN. Among recent works is his exciting analysis of *The Roots of Capitalism* (Princeton: D. Van Nostrand, 1959).

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upon to support D, the chronic ne'er-do-well. The vice of such a formula, so Sumner informed his Brooklyn audience, was that C was allowed no real voice in the matter. He might vote to protect himself, but the votes of D, a poor but numerous category that could be easily manipulated by the politicians, were as the leaves of the trees compared to the meager strength which C could bring to the polls. And so, though he might have a bedridden aunt to support, or a deserving nephew to send to trade school, or merely some children of his own to educate, the Forgotten Man had nothing left for the private charities that, blessing giver and receiver alike, make Christianity a living thing.

Warming to his subject – and thinking, no doubt, of his own strongly independent father, Thomas Sumner, whom he was to describe at a later date as belonging to "the class of men of whom Caleb Garth in *Middlemarch* is the type" – the Yale professor remarked that the Forgotten Man was "not in any way a hero (like a popular orator); or a problem (like tramps or outcasts); nor notorious (like criminals); nor an object of sentiment (like the poor and weak); nor a burden (like paupers and loafers); nor an object out of which social capital may be made (like the beneficiaries of church and state charities); nor an object for charitable aid and protection (like animals treated with cruelty); nor the object of a job (like the ignorant and illiterate); nor one over whom sentimental economists and statesmen can parade their fine sentiments (like inefficient workmen and shiftless artisans)." No, the Forgotten Man was none of these things. He worked and voted, and – generally – he prayed. But, said Sumner, he always paid. "All the burdens fall on him, or on her, for it is time" – so the professor added – "to remember that the Forgotten Man is not seldom a woman."

The Young Crusader

The Sumner who took up the cudgels in 1883 for the steady, uncomplaining, abstemious C spoke as a fire-breathing crusader yearning to right a grievous wrong. One can see this Billy Sumner as he was in the early eighteen eighties, a tall, vigorous, somewhat harsh man of 43 given to a fastidious disdain and a limp handshake which warned people he was no backslapper. His imposing brow was already "magnificently bald," his greenish eyes were sharp and piercing, his clothes immaculate, even a trifle foppish. An enemy of his views on the tariff has left an unforgettable impres-

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sion of his "iron" voice: it "shot out like a charge from a gun, combining a growl with its roar, and ending the sentence with a peculiar snarl from the throat, as if he would rivet his statement in your mind past all removal or dissent." Then there was "a strong nose which, from its commanding central position in his face, constantly took part, as if swivelled for the purpose, in an extraordinary series of smirks and grimaces, some vicious, some sardonic – all mischievous and threatening."

Threatening or not, the professor's undergraduate students at Yale loved both voice and grimaces: Billy Sumner in the eighties, not yet the remote and ghostly figure he was to become when he deserted economics and political science to pursue the folkways and the *mores* to their points of origin, was invariably voted the most effective teacher on the faculty.

No Record of Dissent

The audience that listened to Sumner on that January night of 1883 has left no record of dissent from his idea that C – the Forgotten Man who always Paid – actually existed. Moreover, when Sumner later in the year expanded his thesis about the "jobbery" practised on C in a little classic of social science called *What Social Classes Owe to Each Other*,* no one rose to challenge the feeling that Sumner had put his finger on a most important problem.

This, at our particular vantage point which looks back on the eighties as individualistic in the extreme, must seem something of an oddity. Indeed, it is even astounding. For consider what the world was in the placid days of 1883. Of special relevance to Sumner's speech, it was a world without the graduated, or "progressive," income tax. In fact, there had been no income tax at all since the purely temporary – and unconstitutional – one that had helped pay for the Civil War. True, there had been public monies and lands dispensed to railroads, and there was the ever-present tariff. But the U.S. was, in the early eighties, still close to the soil – and the necessities of life were, despite the tariff, largely produced and sold in a locally competitive world.

The politician in the eighties, in fact, had not yet figured out a way of getting more than a pittance out of the Forgotten Man. Though religion, in a decade that had begun to digest Darwinism, was a softer, weaker thing than it had been in previous generations, the

* A 1952 edition, by Caxton Printers, is available from The Foundation for Economic Education, Irvington-on-Hudson, N. Y. 145 pp. $1.25.

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tithes still taken by the churches as purely voluntary offerings must have far exceeded the "welfarist" collections of government. A poor immigrant in the eighties – a Carnegie, say, or a Jacob Schiff – could keep his money and die a millionaire. The Forgotten Man in the eighties may have been forgotten – but it was hardly the "radical vice" of the political schemes cooked up for his spoliation by philanthropists looking to spend Other People's Money that really hurt him. If the Forgotten Man "always paid," it was because he couldn't resist an appeal to his better nature to give voluntarily. If he was broke, it was not because the State mulcted him. It was because he believed in Sumner's own Law of Sympathy.

A Time of Hopefulness

The salient fact about the early eighties, as the Forgotten Man himself looked upon them, was their atmosphere of general hopefulness. Though strikes were worrisome in a world that was just beginning its adventure in industrialism, the depression of the seventies, which had been particularly bad in the new railroad towns, had long since yielded to the new business optimism. The railroads were running again without interruption, trainmen's wages had been restored, and the big consolidation of the lines into interstate systems was under way. Meanwhile, as the cyclical upswing was on, the western roads were laying thousands of miles of new track. Immigrants from northern Europe and, latterly, from Hungary and Italy and Poland, had been passing through Castle Garden at the port of New York by the thousands, and despite the fears of Terence Powderly's Knights of Labor, the railroads and steel mills and mines had absorbed them without any great disaster to the jobs of the native-born. As an editor of the American Iron and Steel *Bulletin* noted in 1883, the overloading of the labor market, where it existed in the coal-mining and iron-ore mining districts, was not due to depression. It was due to "the very prosperity of our country, which tempts large numbers of foreigners to come here."

On the farm border of the early eighties the bad times of the "Granger years" had lifted. Crops were moving to market at a profit to both the farmer and the railroads. Land could still be had for the asking (and for nominal registration fees) in the West, and for as little as $1,000 in borrowed capital a young man could put up a shelter and buy horses, wagon, harness, plows, seeds, and enough of the new Glidden barbed wire to

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get a start on his 160 free acres. Though historians, accepting the Populist charges of the nineties at face value, have argued the "grasping" nature of eastern money-lenders, the fact is that money rates on the Kansas and Nebraska farm frontiers dropped from 12 per cent in the seventies to 7 and 6 per cent in the nineties. Moreover, the ratio of farm foreclosures to loans was not remarkable save in the extreme drought years of 1888-89, which were still far over the time-horizon in 1883.

Money for the western farmer did not come primarily from a greedy "Wall Street" in any event; it was assembled for loan purposes by the insurance companies and by land mortgage companies which were organized everywhere from New Hampshire to Kansas to tap the funds of individuals or families with capital to spare. Not wishing to be saddled with real estate, these companies did their best to keep the farmer in business. In many instances the record of forebearance on the part of the lender was very good indeed; as John Davenport, a New York State lender with extensive western interests, wrote to his Iowa agent in the seventies, "Where a man has had bad luck in crops or sickness, give him time."

Discounting the menace of the drought-cycle, which was not yet understood in the early eighties, the fact that a farmer could get his start as his "own man" for a thousand dollars in easily borrowed money made it impossible for anyone to claim with a straight face that the pioneer was oppressed by a greedy East. He took his chances like everybody else – and often he sold his acres on a rising market to go elsewhere as opportunity beckoned all the way to the Pacific Coast.

No "Big Business" Bogey

In common with most of our recent historians, Allan Nevins and Henry Steele Commager have shed crocodile tears over the fact that it took two bushels of wheat to "buy" a dollar in 1890 where that same dollar could have been bought with one bushel in 1870. But these historians are forced to note elsewhere – and without any tears – that when four men on a farm can do the work of three hundred by using a combine, and when a mechanical corn husker "replaces eight men with one, [and] the corn sheller fifty," prices for farm products could hardly remain unaffected.

There remains the theory that the new "trusts" of the eighties bore down heavily on the Forgotten Man. But when Sumner was making his speech in Brooklyn, the big movement toward consolida-

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tion was largely limited to Rockefeller's Standard Oil Co. and to the railroads. The so-called lead, whisky, and sugar trusts dated from 1887; the beef and farm equipment trusts came in the nineties. What the backward looking historian forgets is that a vast number of smaller companies had to exist before they could be combined into a big one: the very creation of a "trust" implied a burgeoning and job-creating economy at the base. Moreover, the creation of a big company did not keep new small concerns from springing up, as any comparison of old and new Stock Exchange listings will show. Small business kept its pace with big business in the very years when the feeling against "trusts" was at its height. And it has been keeping pace ever since.

In his own less gloomy moods Sumner himself forgot his worries about the Forgotten Man. Some twenty years after his speech in Brooklyn he inserted into his *Folkways* a salute to "our own time" as "one of advance on account of great unoccupied territories now opened at little or no cost to those who have nothing." "Such a period," he said, "is one of hope, power, and gain for the masses. Optimism is the philosophy. All the *mores* get their spirit from it . . . no mistakes will cost much." And again, in a later passage in the *Folkways*, he remarked on "the effect of the creation of an immense stock of movable capital, of the opportunities in commerce and industry offered to men of talent, of the immense aid of science to industry, of the opening of new continents and the peopling of them by the poorest and worst in Europe. . . . Men are in demand, and an increase in their numbers increases their value. . . ."

If one looks back upon the New Haven to which Summer returned after the Forgotten Man speech, the mystery of his forebodings increases. Here the effects of "movable capital" and "the immense aid of science to industry" had been apparent for a generation. With the linking of the railroads in the eighteen forties to New York in one direction, and to Hartford and Boston in the other, the population of the old colonial town had surged upward. Gone was the overgrown village of Sumner's own undergraduate days. The wineglass elms, planted at the century's beginnings by old Senator Hillhouse and the Reverend David Austin with their own hands at no cost to the Forgotten Man, were still there, lifting their graceful arches over the downtown streets. But beyond the Green and its three churches, beyond the original "nine squares" of the old first families, there roared the black workaday community which had been brought into be-

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ing by a long line of Yankee inventors spurred on by Sumner's own supposedly "classical" Yale.

The streets that ran past the old town pump and past Yale's Old Brick Row were still muddy canals in late March and early April, necessitating iron foot scrapers on every doorstep; but down the middle of Chapel Street ran tracks for horse-drawn trolleys. The town's water was supplied through mains owned by a private company; and where gas lighting had been limited to the senior Professor Benjamin Silliman's home in the late eighteen forties, now more and more home owners had thrown away their old sperm candles and gone over to the new lighting.

Prosperous New Haven

Indeed, New Haven might have been summed up as "Sillimans' progress." The older Silliman had taught his science largely from the books. But in the forties the younger Silliman—Benjamin, Jr.—had, with a liberal outlay of his own money, set up the first college chemistry laboratory in the United States. It was from this laboratory that there emerged, some time later, an analysis of the commercial possibilities of a "rock oil" specimen from western Pennsylvania – and on the basis of Silliman's word a New Haven businessman, George Bissell, and James Townsend, a local banker, sent out Colonel Edwin Drake, a railroad conductor with newfangled ideas about drilling, to sink the world's first oil well. New Haven was too far from oil country to keep control of the business – but it started it.

New Haven's Yale had, indeed, been serving an optimistic nation in more ways than supplying it with Congregational ministers ever since its Jedidiah Morse, the "father of American geography" as well as the sire of the inventor of the telegraph, had put together the first geography book to be published in the young nation. At the end of the eighteenth century Yale's President, Ezra Stiles, had mingled his concern for Greek, Latin, Arabic, and Hebrew with a passion for astronomy and metallurgy and the raising of silkworms – and a later procession of far more academic and other-worldly college presidents had not been able to eradicate the cosmopolitan Jeffersonian effect of Stiles' influence. The "Yankee" end of the Puritan college had split off in 1861 to become the Sheffield Scientific School, a development made possible by Joseph Sheffield and by a group of New Haven businessmen including Oliver Winchester, the arms manufacturer, and Eli Whitney, Jr., son of the old inventor.

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The first Eli Whitney had taken much encouragement from Ezra Stiles. He had failed to make a fortune from his cotton gin, which, despite his patent, had been pirated all over the South by local manufacturers. But Whitney had recouped by pioneering the production of interchangeable rifle parts from standardized dies out in his factory by Lake Whitney – and this more than anything else had set the pattern for the town Sumner knew.

It was a town of many "firsts" besides that of the first geography book and the first standardized dies. In little things there were Sheldon Hartshorn's first hinged buckle and William Gee's loom for weaving suspender webbing, two products dating back to the time of Sumner's childhood; and, going further back to the days of the early clockmakers, there was the inventiveness of Simeon Jocelyn, who had desisted from his business of engraving grandfather clock faces long enough to create the first practical pruning shears. Amasa Goodyear, father of the man who was to discover rubber vulcanization, had brought into being the spring steel tine pitchfork, a famous New Haven export of its day. With the forests of Ohio being cleared for the raising of hay and grain, the steel tine fork was as practical an object as Edward Beecher's and Thomas Sandford's New Haven-made device for mass-producing the phosphorous match. And the new railroads of the young American Republic would not have been able to cross a river if a New Haven architect, Ithiel Town, had not designed a wooden truss bridge which would bear the weight of the earliest steam cars.

The New Haven to which Sumner returned in 1883 had not yet seen an automobile – or a "hellvahgen," as Sumner was to call the first horseless carriage that came to his attention. But already, in the eighties, New Haven had made the automobile business a possibility. When cars came, they would need gasoline from Silliman's and Colonel Drake's rock oil; and they would need the rubber which New Havener Charles Goodyear had first vulcanized by treating it with sulphur and heat until it had hardened into usable forms. Moreover, the industrial process that had been started by Eli Whitney was to prove peculiarly adaptable to the making and assembling of the automobile, as Henry Leland, a man who had been trained in New England gun factories, was to prove to an astounded English audience when he dramatically disassembled and then put together again from scrambled parts a number of his Cadillac cars.

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Even as Sumner was lamenting the sad fate of the Forgotten Man, New Haveners were pioneering some of the first commercial companies to match the creativity of the inventors. The first telephone directory in history, giving numbers for all of fifty subscribers, had been issued in 1878 by the District Telephone Co. of New Haven, which had set up the first commercial switchboard on a borrowed kitchen table. In 1881 – two years after Thomas Edison had made an incandescent bulb that would burn for practically all of two days – New Haveners had started the New Haven Electric Light Co., the first after Edison's own pioneering company in New York City. It failed in 1883 but was soon started up again with sufficient new capital to provide for electric street lighting and to put an end to the horse-drawn trolley.

In addition to the newer ventures there were the old standbys which had made New Haven the industrial center of southern New England even before the Civil War. There was the Brewster carriage works (among some forty other carriage companies); there were the clock companies; there was the thriving Fair Haven oyster business; and, out in the Newhallville suburb below the Sachem's Wood, there were the great Winchester repeating arms works set down amid scores of workmen's homes. There were cigar makers, who attracted German and Dutch immigrants; there were boot and shoe makers; and there were the builders of pianos and organs. So the local fruits of a generation of inventiveness and enterprise were ripening in his own home town as Sumner bemoaned the fate of the Forgotten Man.

A Profound Prophecy

How are we to account for Sumner's pessimism amid the evidence that the Common Man, far from being "forgotten," was blessed with hope and opportunity in that New Haven clime of 1883 as he had never been blessed before? Was it merely that Sumner, who was to become America's first trained sociological digger, had not yet learned how to project a trend from heterogeneous isolated facts?

The answer, far from being a testimony to obtuseness, must be set down as a tribute to Sumner's "inner eye": the man was a prophet. He had studied in Germany in the years of Prussia's climb to ascendancy in the German Federation; and he had already taken the measure of the "socialism of the chair." Where he nourished his doubts of the new German ideologies, his academic colleagues, including a whole new generation of economists, had more and more

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tended to succumb to the blandishments of the German "institutional" and "historical" schools which were enamored of state intervention in the industrial process. Sumner was an early believer in a theory later formulated by John Maynard Keynes, that the "encroachment of ideas" is far more of a constitutive agent in the fashioning of society than any set of purely physical facts. The "encroachment" of the notions set afloat by the scholars of Bismarck's realm was very much in Sumner's mind when he lamented the plight of the Forgotten Man in 1883. He knew that if the Forgotten Man was not already being compelled to lift the burden of the ne'er-do-well D in the early eighties, he would not long remain immune.

Quite aside from the academic influence there were other trends which had aroused Sumner's suspicions. The tariff, that first monument to American statism, was already an old story in 1883; and the tariff, as Sumner foresaw, would be a goad to every pressure group to get "its own." The Greenbackers and Grangers were comparatively quiescent in the early eighties; but it was not for nothing that Sumner had been a long-time student of the American currency, which had periodically run to wildcat issues and to the effects of an oversanguine theory that silver could arbitrarily be held in a fixed relation to gold. Then there was the latent penchant of the American for a collectivist utopianism – the old Fourier and Brook Farm strain which would erupt anew into the Bellamy clubs in the wake of Bellamy's *Looking Backward*. Meanwhile Henry George had already gathered his first army of Single Tax prophets – and Sumner suspected that any widespread application of George's principles would put the disposal of natural resources into the hands of tax apportioning politicians, who have never been solicitous of the needs of the enterpriser in any clime or time.

It is as a prophetic utterance, then, that we must take Sumner's speech on the Forgotten Man in its own original setting. False though it was to the immediate circumstances of New Haven and the rest of America in 1883, it was to become true as gospel for the America of the future. Sumner had the seeing eye as an early sociologist – but more important than his eye was his attunement to the hidden voices of coming ideological commitments. In misdescribing the present for that Brooklyn audience on January 30, 1883, he smelled the future. And the audience, in offering no recorded protest, must have smelled the future, too. ◆

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"We Never Had It SO GOOD"

LEONARD E. READ

THE CLAIM that a growing statism (state control of the means of production plus welfarism) must lead eventually to disaster frequently evokes the rejoinder, "We never had it so good." So far as statistical measurements of current material well-being are concerned, much of the surface evidence supports this cliché.

Prosperity, according to the National Bureau of Economic Research, is reported to have increased as follows:[1]

> "Today's national income of $2,300 per capita is double what it was (in constant dollars) forty years ago, and it is higher in the face of a 70% increase in population and a 20% reduction in the hours of paid work done per capita.
>
> "Output per man hour has grown over the same period at the average annual rate of 2.6%.
>
> "Today's higher income is more evenly distributed than the lower income of earlier years.
>
> "The economic difficulties of most everyone have been lessened through the establishment and broadening of various social welfare programs.
>
> "The four recessions we have encountered since World War II are among the milder in our history, which means an unusually long period free of serious depressions."

Now consider what has happened politically during this period. Statism, measured in terms of governmental expenditures per capita, has advanced from about $80 in the years just after World War I to more than $700 now.[2]

Is it any wonder that most people, observing statism and prosperity advancing coincidentally over so long a period, conclude that the growth of statism is the

[1] See The Fortieth Annual Report (1960), National Bureau of Economic Research, 261 Madison Avenue, New York, N. Y.

[2] How closely does this approach what we call the "authoritarian state"? One way to make an estimate is to measure governmental take of earned income. In 1917 it was less than 10%. Today it is 35%. We must keep in mind, however, that a state of dictatorship can exist prior to a 100% take — perhaps at the halfway mark.

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cause of the increased prosperity?

Furthermore, it is doubtful if the comeback, "We never had it so good," can be proved to be wrong; not statistically, anyway. A man leaping from an airplane at high altitude will, for a time in his fall, have the feeling of lying on a cloud. For a moment he could truthfully exclaim, "I have never had it so good!" If the man were unaware of the law of gravitation, no one could prove to him by physical principles that disaster lay ahead. Yet, some of us would *believe*, by reason of certain knowledge, that the man was not long for this world.

Some of us *believe* that the chant, "We never had it so good," is founded on an illusion, that realities we cannot measure warrant this belief. It is our conviction:

1. That the practice of dishonesty is evil and that retribution follows the doing of evil. Every evil act commits us to its retribution. The time lag between the committing of an evil act and our awareness that retribution is being visited upon us has nothing to do with the certainty of retribution. It has to do only with our own limited perception.

2. That there is no greater dishonesty than man effecting his own private gains at the expense of others. This is man's ego gone mad, the coercive assertion of his own supremacy as he defies and betrays God's other human creations.

3. That statism is but socialized dishonesty. It is feathering the nests of some with feathers coercively plucked from others – on the grand scale. There is no moral distinction between petty thievery and "from each according to ability, to each according to need," as practiced by the State, which is to say, there is no moral distinction between the act of a pickpocket and the progressive income tax, TVA, federal aid to education, subsidies to farmers, or whatever. There is only a legal distinction. Legalizing evil does not affect its moral content; it does no more than to absolve the moral offender from the type of penalties inflicted by policemen.

A Growing Threat

While many of us profoundly believe that we cannot maintain the present degree of statism, let alone drift further toward the omnipotent State, without our great economy flying to pieces, we find it difficult to do more than express our misgivings or alarm. Why, precisely why, does the present course presage disaster? In what manner will a growing dishonesty tear an economy asunder? Perhaps the following explanation may be worth pondering.

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At the outset, imagine an impossible situation: a society composed of individuals, each completely self-sufficient, no exchange of any kind between them. Moral qualities, such as honesty and the practice of the Golden Rule, would have no bearing whatever on the social situation. Each could be congenitally dishonest and unjust; but with no chance to practice the evils, what difference would it make socially?

We Depend on Trade

Now, assume the development of specialization and exchange. The greater and more rapid the development, the more dependent would be each member of the society on all the others. Carried far enough, each would be completely removed from self-sufficiency, utterly dependent on the free, uninhibited exchanges of their numerous specializations. Total failure in this respect would cause everyone to perish.

Whenever we become economically dependent on each other – a necessary consequence of the highly specialized production and exchange economy – we also become morally dependent on each other. No free or willing exchange economy can exist among thieves, which is to say, no such economy can long endure without honesty.

Specialization in the USA today is in an enormously advanced but highly artificial state. We are now unnecessarily dependent on each other, more dependent than we have ever been before, more than any other people have ever been. An advancing exchange economy makes possible a rising standard of living – *provided the advance is natural, integrated, that is, free market.* It is possible, then, to buttress the technical advances by a growing moral insight and practice. But our present pattern of specialization is artificially induced by state interventionism, and an unnatural system of dependencies has been created. This would need to be sustained by a level of mass honesty we could hardly hope to achieve under the best of circumstances.

But honesty is *not* on the increase! Statism, which forces all of us within its orbit, is nothing but a political system of organized plunder, managed by every conceivable type of pressure group. Plunder is dishonesty, and statism, its organizer, grows apace!

Every natural or free market advance in specialization and exchange increases the standard-of-living potential. This kind of progress is consonant with the whole man, being a cultural advance of self-responsible persons. The two advances – in insight and

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technology – are integrated. Atomic energy, for example, would put in its appearance when the market – man in peaceful pursuits – signaled its necessity. Had we followed the signals of the market, atomic energy would present itself as a boon, not as a bomb.

How, we must ask, does statism operate? It is simple enough: The State forcibly takes vast sums – fruits of the people's labor – and places these sums at the disposal of those who are ready or can be readied to specialize in atomic energy, for instance. Thus, there is brought prematurely into existence a vast horde of unnatural specialists, unnatural in the sense that their specializations exist at the insistence of irresponsible politicians who cannot make good on their claim to omniscience. This is not an exaggeration, for no individual has any competency whatever to control the lives of others, to arrogate unto himself the freedom of choice that is morally implicit in the right to life of each human being.

Try to comprehend the enormity of unnatural specialization in our country today. It cannot be done! As this is written, a Washington release tells of $12 to $15 billion to be spent by the National Aeronautics and Space Administration to carry a crew of three men on a moon orbit, for moon exploration vehicles, and so on. To what extent will this generate unnatural specialization? To whatever extent people would not voluntarily invest the fruits of their own labor for these purposes! Would this vast outlay, twelve to fifteen times the entire federal budget of only forty-seven years ago, be voluntarily invested for such purposes at this stage in civilization? Hardly!

The State as Master

The Welfare State destroys the market mechanisms – lessens free choice and willing exchange. Simultaneously creating unnatural specializations, it must, granted statism's premise, resort to welfarism; that is, it must assume the responsibility for the people's welfare: their employment, their old age, their income, and the like. As this is done, man loses his wholeness; he is dispossessed of responsibility for self, the very essence of his manhood. The more dependent he becomes, the less dependable!

Thus, the State inflicts itself as a dangerous centrifuge on society: man violently spun from the center which is his wholeness, his self-reliance, his integrity, and thrown in fragments onto an ever-widening periphery of unnatural specializations; man disoriented in unnatural surround-

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ings, lost in detail and trivia; man from whom integrity has taken flight; man minus responsibility for self, the State his guardian and master.

The only cohesive stuff that can withstand this centrifugal force is the singular product of the whole man: the man who engages the universe at every level of his being – physical, mental, moral, and spiritual. Among the fruits of such an engagement are honesty, observance of the Golden Rule, and justice. These hold society together. But, as we have noted, statism progressively dilutes the cohesive stuff even as it increases the centrifugal force by unnatural specialization. These tendencies are implicit in its nature. Statism, to change the metaphor, builds its tower of Babel with a mortar of constantly decreasing strength. The tower, therefore, will be at its highest and be most admired and worshiped the moment before it tumbles.

We find in a growing statism the explanation for our double standard of morality. The same person to whom stealing a penny from a millionaire would be unthinkable will, when the state apparatus is put at his disposal, join in taking billions from everybody, including the poor, to aid and abet his private gain or his personal compassion for those he cannot or will not help with his own resources. In the first instance, we observe the whole man as he acts self-responsibly and, in the second instance, the fragmented man, one whose welfare responsibility rests not with self but with the State. When there is no responsibility for self, the matter of honesty comes no more into question than in the case of an animal. Honesty is a quality peculiar to man, the whole man. This applies equally to the Golden Rule and to all virtues.

Material Growth Follows Moral Growth

Speaking solely from the material standpoint, statism is incompatible with any long-range goal of more goods and services for more people. But natural or free market specialization and exchange, which we are also experiencing on a large scale, are consistent with such a long-range goal. They are constructive and creative. This explains the phenomena we have observed during the past four decades: natural specialization and exchange, plus the greatest outbursts of inventiveness in recorded history, more than compensating for the damage inflicted by statism. There could be no greater error than to conclude that the statism caused the prosperity.

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But specialization and exchange, regardless of how many inventions, cannot long endure except among a people more noted for their virtues than for their vices. The first chore – indeed, our only hope – is to rid ourselves of immoral statism; short of this, we cannot possibly return to moral ways. Unless we can succeed in this venture, we may well witness for the first time in history the spectacle of an economy conferring more and more goods and services on more and more people right up to the point of flying to pieces. Personal morality is the cohesive stuff in an exchange economy and plays a necessary part in the good society; therefore, it is preposterous to say today, "We never had it so good." ◆

Clichés of Socialism

When a devotee of private property, free market, limited government principles states his position, he is inevitably confronted with a barrage of socialistic clichés. Failure to answer these has effectively silenced many a spokesman for freedom.

The Foundation for Economic Education is preparing a new series entitled **Clichés of Socialism.** These are printed on single 8½" x 11" sheets. Single copies for the asking. Quantities at 1¢ each. Now ready are suggested answers to the following clichés:

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2. **"If we had no social security, many people would go hungry."**
3. **"The government should do for the people what the people are unable to do for themselves."**
4. **"The right to strike is conceded, but . . ."**
5. **"Too much government? Just what would you cut out?"**
6. **"The size of the national debt doesn't matter because we owe it to ourselves."**
7. **"Why, you'd take us back to the horse and buggy."**
8. **"The free market ignores the poor."**

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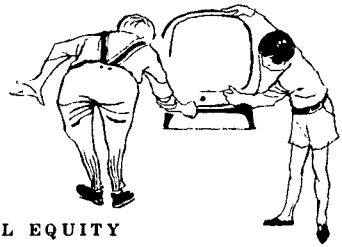

PAINLESS SUBSIDY

or — PROGRESS IN FISCAL EQUITY

It was a foggy afternoon
At story-telling time.
Old Kaspar chewed a dead cigar
And thinned his rum-and-lime,
While Peterkin and Wilhelmine
Turned on the futurama screen.

They saw a crowd of drooping men
Go through an open door
And dump their loads of dollar bills
Upon the marble floor.
Then each would pick his dollars up
And gambol like a frisky pup.

"Now tell us what it's all about!"
The little children cried.
"It is the Painless Subsidy,"
Old Kaspar soon replied.
"It gives a man a bulging purse,
But leaves his conscience none the worse."

"There was a time," Old Kaspar said,
"When fiscal arts were crude,
And people got their subsidies
By methods slow and rude —
With tax collectors breaking heads
And tearing mattresses to shreds."

"But now a self-respecting man
Can get a subsidy
Of any size his heart desires
And spend it blamelessly.
No longer need he feel remorse
For neighbors robbed by legal force."

"But why have subsidies at all,
If each his own must pay?"
"We can't have economic growth,
I've heard the Planners say,
Without abundant subsidies
To stimulate the industries."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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WEALTH, VIRTUES AND DISCRIMINATION

The Economics of Rational Assistance

ARMEN A. ALCHIAN and WILLIAM R. ALLEN

ECONOMICS sometimes has been described (and condemned) as the study of selfish behavior. The conception of the "economic man" has been ridiculed as a bloodless abstraction which constitutes a calumny on real people who are warm in spirit and generous in heart. For (most) real people are not wholly self-centered creatures, coldly calculating only how best to aid themselves even at the cost of injuring others, if need be.

This is but a parody of the "economic man" notion specifically and of the concern of economic study generally. Economics, accurately conceived, is directed to the analysis not of *selfish* behavior as such, but of *efficient* behavior. The basic question asked by the economist is not, "In light of the egocentric avariciousness of people, how can one best skin one's neighbor?" Rather, he asks, "In light of the scarcity of resources, how can one squeeze the greatest return – which can take myriad forms, e.g., goods, power, utility, inner glow of contentment – from given productive services, talents, and environment? Or, alternatively, how can one achieve his desired goals with the minimum cost?" His goals can involve not only his own immediate welfare, but also that of other people.

Giving with Efficiency

We can usefully illustrate the matter by considering the granting of a subsidy or gift. The *motivation* of the giver may be as humanitarian and philanthropically pure as can be, but what of the *efficiency* with which the aid is given?

Suppose that a university – call it U.C.L.A. – wishes, for reasons good or bad which we shall not consider here, to subsidize the

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veterans in the student body by providing campus housing. U.C.-L.A., it can be imagined, possesses a substantial amount of land on which are placed a number of war-surplus barracks. The barracks are renovated into a total of 1,000 apartments. The rent is set at $30 per month, which exactly clears the veterans' market, i.e., at $30, the veterans, of whom there are more than 1,000, wish to take 1,000 apartments. (If the price is set at less than $30, there is at the outset a messy problem of administrative rationing, for at such a low price, more than 1,000 veterans will demand apartments.) The U.C.L.A. administrators decree that no non-veterans are allowed to occupy apartments, so non-veterans do not apply.

The land being devoted to veterans' housing has some alternative valuable uses, e.g., as parking space, playing fields, or simply scenic lawn; so there is a *cost* involved in the housing program. The major question is now in order: for the given cost borne by U.C.L.A., are maximum benefits being bestowed, or, stated differently, could benefits equivalent to those actually bestowed be attained at smaller cost to U.C.L.A.?

Maximizing the Benefits

For the moment, concentrate on maximizing benefits. Are the beneficiaries of the subsidy as well off as possible with the resources being made available to them?

As things stand, the veterans must take their assistance in a specified form, i.e., a barracks apartment, or not receive aid at all. And with more veterans than apartments, some veterans receive nothing. Now, if the apartments were to be opened to the whole student body, the market-clearing rent presumably would be higher than $30; suppose it to be $40. Some veteran might feel that, instead of living in the barracks at $30, it would be preferable to sublease his barracks apartment for $40 and apply the excess proceeds to the renting of a more desirable apartment in town at, say, $60. In this fashion, the veteran would in effect obtain a gift in the form of money ($10) which he then expends as he pleases.

Who gains and who loses by this subleasing procedure?

Before subleasing was allowed, the veteran had the alternatives of (a) a barracks apartment at $30 or (b) a town apartment at $60. But now the veteran is presented with an *additional* alternative, viz., (c) rent and sublease a barracks apartment, gaining a $10 profit, and live in a town apartment. Although the town apartment may be more conducive than a barracks apartment to gracious living, the

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veteran might prefer alternative (a) over (b); i.e., he might prefer the inferior apartment plus an extra $30 to spend on other things over the more expensive apartment. But in comparing alternative (a) to (c), staying in the barracks apartment would provide only an extra $20 for other things, and this extra $20 might or might not be sufficient to compensate for the poorer apartment. Finally, we certainly can say that if he prefers alternative (b) over (a), he will prefer (c) over (a), for a town apartment plus an extra $10 (i.e., alternative c) is preferable to a town apartment without an extra $10 (i.e., alternative b). In any event, the subleasing alternative cannot hurt the veteran, and it may help him.

Non-Veterans Also Gain

Has the non-veteran student who is subleasing from the veteran at $40 been helped or hurt? He may feel envious that he is not a member of the privileged group eligible for the barracks at $30, but this is true whether or not subleasing is permitted. Prior to subleasing, his only alternative was a town apartment at $60, but with subleasing he can now rent a barracks apartment at $40. He may prefer the latter. The subleasing offer has given him, too, an additional alternative, and his accepting the new alternative is evidence that he is better off by moving into the barracks.

U.C.L.A. also is involved. The university is financially indifferent, for it receives $30 per apartment whether or not the apartment is subleased.

It appears that no one is hurt by the subleasing practice, and the veteran and the other student are both better off. Why, then, are administrators generally loath thus to widen the alternatives of those they are intending to aid? If the university wants to put valuable resources at the disposal of veterans, why does it prevent the full potential benefits being realized by restricting the use to which the veterans can put the subsidy? Perhaps administrators would consider it "untidy" and "inappropriate" to provide veterans' housing which is occupied by non-veterans. Or perhaps the administrators feel that they know what is best for the veterans, and barracks-living at $30 is deemed by them to be preferable for veterans to town-living at $60 and a $10 profit.

The moral is plain. A free price system enables men to use their resources in the ways they consider best. If it is felt that welfare is enhanced by broadening the alternatives available, a free price system enlarges welfare.

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Alternative Land Use

Consider another possibility, which presents some additional complications. Suppose that the land now occupied by the barracks could be rented by U.C.L.A. at a rate equivalent to $50 per month for each apartment – or the land could be sold and the proceeds invested in acceptable fashion at a rate of interest equivalent to $50. With 1,000 apartments, this alternative income, as rent or interest, is $50,000 per month, compared to $30,000 when the land is used as barracks apartments for veterans.

In this "no barracks" case, U.C.L.A. could keep $30,000, so that the university would be equally well off under the two schemes, and allocate the remaining $20,000 among *all* veterans, of whom there are, let us say, 2,500. Each veteran receives $8 per month. How would the veterans fare now compared to the other schemes?

When subleasing of the barracks was not allowed, 1,000 veterans chose to live in the barracks at a rent of $30, and the remaining 1,500 received nothing from the university. Now, under the "no barracks" plan, with $20,000 being distributed among all veterans, clearly the 1,500 who would not have been in the barracks are better off: $8 is better than nothing. However, we cannot generalize about the other 1,000, for some of them will prefer $8-and-no-barracks-apartment, while some would have preferred the barracks-apartment-and-no-$8.

Other Possibilities

When subleasing is allowed, it is again the case that 1,500 veterans do not benefit, for they cannot obtain an apartment. But the 1,000 with apartments can either keep the apartment at $30 or sublease at $40 and net $10 cash. In the "no barracks" case, with each veteran receiving $8 from U.C.L.A., those 1,000 who would have had a barracks apartment are worse off. However, if there were only 1,600 veterans, so that each receives $12.50 from the university, those who were willing to sublease (and perhaps even some of those who preferred to keep a barracks apartment when the alternative was to gain only $10 through subleasing) are better off.

And, of course, the greater the amount of money to split among a given number of veterans, the greater the share of each. If the market value of the land is $80,000, then $50,000 could be divided among the 2,500 veterans, giving each $20. That is, the better the alternative use U.C.L.A. has for its land, the greater and more widespread will be the benefits of utilizing the alternative and disbursing cash.

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The Market Maximizes Alternatives for All Concerned

Let us summarize the conclusions from this array of possibilities. We began with veterans obtaining barracks apartments at the market-clearing rent of $30, without the right of subleasing. The university is discriminating not only in favor of veterans, but also in favor of those particular veterans who prefer a $30 barracks apartment to a $60 town apartment.

Now, if subleasing is allowed, another alternative is made available to both veterans and non-veterans. Those veterans who prefer to stay in the barracks have not lost, and those who prefer to sublease have gained. Similarly, some non-veteran students will not be interested in subleasing, but others are. Financially, U.C.L.A. is not affected. The introduction of subleasing rights has not hurt anyone, and some are benefited.

However, if subleasing is allowed, the apartments become more valuable. Even though a particular veteran might not demand an apartment at $30 for his own use, he is happy to rent at the pegged price of $30 in order to sublease at $40. The veterans' market is no longer cleared: all 2,500 veterans seek an apartment, and there are only 1,000 apartments. With a pegged rent of $30 and no prohibition on subleasing, the university is discriminating among veterans in a new way, *viz.*, in favor of those 1,000 veterans who happen to acquire apartments when all 2,500 want apartments.

Suppose that U.C.L.A. decides to get out of the veteran-housing business and sell the land or lease it in its most profitable use. Then receipts are available to disburse among all veterans. It may well be that some of the veterans who would have acquired barracks apartments will not be pleased by giving up the apartment and receiving cash. However, the more the cash, i.e., the better is the alternative use to which the land is now devoted, the fewer and the less insistent will be the complaints. In any case, those veterans who did not have apartments will be benefited by distribution of the cash. No longer is there discrimination among the veterans, for the resources made available to the favored group are evenly disbursed among all members of the group. ◆

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DARRYL W. JOHNSON, JR.

17 ARGUMENTS AGAINST SOCIALIZED MEDICINE

AFTER SCHOOL recently, a student posed an interesting question. His father was deceased, and he and his mother were living on a small income of which social security constituted a substantial portion. His mother had recently undergone an expensive operation, and it had been tough to pay the bills. His question was: "Why *shouldn't* I favor government medical assistance?"

Other obligations prevented me from answering immediately, but the next morning the student received the following 17 points:

1. To the extent that your mother is living on social security she is already the victim of an actuarially unsound program classified by many as an outright fraud. A large part of your difficulty in meeting bills is the product of this government program designed to "help the aged." You may be sure that a government program designed to "help the sick" would fare no better, and probably worse. People do better if they are charged with *personal* responsibility for their welfare.

2. Social security payments are reduced or eliminated if your mother earns over $1,200 per year. This particular inequity within the entire inequitable program should be remedied, yet the problems posed by any attempt at "equity" tend to point up the undesirability of seeking "solutions" on a *national* basis.

3. Your mother's income is undoubtedly suffering from inflation, which is the result of prior government activity. Please, therefore, do not ask for *more* government programs. Inflation raises the cost of everything, medical services and supplies included, and such "hidden taxation" affects *all* income, taxable and nontaxable.

4. If you ask the government to force others (through taxes) to help *you* in your particular situation, you cannot expect others not to ask government to force *you* to help *them*. In all probability you

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will end by paying out much more than you will receive through this process.

5. Assuming genuine need, private charities and local agencies would be willing and able to do considerably more along lines of aiding you if taxes were not already markedly diminishing their ability *and inclination* to function. The high progressive rate also tends to discourage many would-be doctors, whose terrific initial educational investment should be allowed to pay off. To the extent that a doctor shortage exists, government must share a substantial portion of the blame. My own dentist has cut his work-week from five days to four because, in the words of his financial adviser, he was "working too many days for the government." Do not, therefore, add to this tax burden.

6. Even assuming that the taxes required to run a program of government medicine might aid your mother in the short run, such taxation would also put more people into her shoes.

7. Government bidding for medical services and supplies would increase costs. Great Britain's program has slightly more than tripled such costs. If you are serious in your alarm over high costs, you will resist a government program strongly.

8. Since the program would be designed to help millions of others, and not your mother alone, competition for supplies and services, in addition to raising costs, might make it difficult to obtain any at all. A shortage of goods and services would immediately occur if the government were to attempt to mitigate the effects of its own actions through price controls. Priority given to more serious cases would frustrate immediate treatment of minor cases. A man who could be "back on the job" in minutes might have to wait weeks, with resulting loss of production to himself and to society.

9. A program of socialized medicine, once begun, would be extremely difficult, politically, to abandon, no matter how mistaken the program should prove to be.

10. The vast majority of doctors do not like socialized medicine. The reasons they give – dislike of regimentation, the destruction of doctor-patient relationship, and the like – while important in themselves, are secondary to the inescapable conclusion. If the government seeks to accomplish by force something that would not occur voluntarily and institutes a program which doctors dislike, the result will be fewer, and poorer, doctors. We hardly want *this* situation.

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11. The temptation to "get something for nothing" would prove irresistible for many people. Statistics contrasting the number and length of illnesses of those who have government health insurance (in Great Britain and elsewhere) with those who have private insurance (in the U.S. and elsewhere) provide amusing proof of this. A large portion of government expenditure would go to those whose needs are questionable. This, also, would increase costs. Lack of local administration and responsibility might frequently deny sufficient benefits to those whose needs are genuine.[1]

12. Socialized medicine would be another long step to total socialism. Socialism, whatever else it may do, hardly increases production. By its emphasis on distribution, it retards production in a thousand ways. This will lower the standard of living for everyone, your mother included.

13. The functions of medicine are basically twofold: administration of known drugs and techniques, and research. We come in contact with the profession through the former, but progress occurs only through the latter.[2] Socialized medicine would cause a shifting of emphasis from research to general upkeep, with the result that over-all medical progress would be retarded. The British experience proves this beyond question.

14. Since the science of medicine under free enterprise in the United States has given us the best medical service in the world's history; since it has prolonged life in a phenomenal manner; since our medical supplies and services are infinitely superior to those in any other country . . . you should attempt to retain these advantages by fighting to retain the system under which they developed.

15. It is a mistake for the government to consider the problems of the sick apart from those of society as a whole. Such consideration is a private matter, to be solved by private and local methods. Such a narrow outlook on behalf of the government obscures the broader problem which is, in a moral sense, one of promoting re-

[1] For an excellent discussion of the tragedy of socialism in Great Britain, including socialized medicine, see Cecil Palmer, *The British Socialist Ill-Fare State*, (Caldwell, Idaho: Caxton Printers, Ltd., 1952). The above points have been substantially documented by British experience.

[2] Many complaints about the "excessive cost" of drugs (particularly in relation to the low cost of the ingredients) would cease if people realized that it is often expensive research which makes many drugs available at all. It frequently takes millions in research to make a "cheap pill."

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spect for the individual and the furtherance of initiative and self-providence; in an economic sense, one of increasing production for the benefit of *all* citizens;[3] and in a political sense, one of removing government as a battlefield for special favor and substituting cohesion and solidarity for division and disintegration.

16. *No* system, not even the free economy, can give everyone everything he wants at once. It is dangerous to allow or encourage any government to substitute its judgment for that of its citizens. It is well to keep in mind that no country has come close to matching the United States in the solution of the very problem your mother presents. I would recommend investigation of the numerous, actuarially sound private health insurance programs, which already insure a substantial majority of all American families. There are approximately 150 such programs in the United States today. Such diversification provides an ability to suit individual requirements which would be impossible under a federal program.

17. Finally, let us consider the moral issue. You may feel that this is simple – that it is not morally correct for society to neglect those in need. But is there such a thing as "collective morality"?[4] Is not moral action exclusively individual? Can any action be moral if it is induced by compulsion? Who is acting and thinking in moral terms: the person who, cognizant of those in need, seeks to remedy the situation insofar as possible by resorting to his own pocketbook, or a person who thinks only in terms of legislation to force everyone else to take care of the problem?

Even if the facts were otherwise and it could be shown that the government were capable of providing satisfactory medical care, the basic moral question you should ask yourself is this: What right have I to take another's property without his consent, for my personal use? Under what conditions does it become proper or right for any individual or group to rob another?

I feel that when you have answered the questions contained in this last point, you may find the first sixteen arguments superfluous. At least I hope so.

[3] Government cannot do this in any *positive* sense, as seems to be thought these days. Government is to do this by a policy of minimum interference, and in its capacity as referee . . . not active participant.

[4] For development of this thought, consult William Graham Sumner, *What Social Classes Owe to Each Other*, (Caldwell, Idaho: Caxton Printers, Ltd., 1954).

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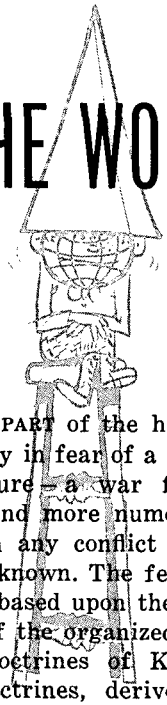
THE WORLD'S WORST FOLLY



A businessman and scientist examines some commonly overlooked aspects of the creative process

G. COURTNEY CONOVER

A LARGE PART of the human race lives today in fear of a war in the near future—a war filled with greater and more numerous horrors than any conflict the world has ever known. The fear of such a war is based upon the countless threats of the organized believers in the doctrines of Karl Marx. These doctrines, derived mainly from economic theories, lead up to a demand for the acceptance of a tyrannical government and a fiendish code of ethics. Obviously such theories should be thoroughly and critically examined.

Marx's theories in the field of economics were taken largely from the ideas of men who wrote on the subject of *political economy* in the late eighteenth and early nineteenth centuries. These scholars were interested mainly in the economic problems with which governments of the period were concerned. They showed only a secondary, and rather narrow interest in the subject of the production of wealth. They did not deal with the subject in any comprehensive manner and did not attack the view commonly held at the time: that labor alone produces wealth.

The fortune of the Western World might have been much better if a few of the early economists had developed a lively curiosity about the production of wealth, or still better had interested themselves financially in some of the new and rapidly growing industries that were springing up at the time, thus learning by firsthand observation and experience how wealth is produced.

But the world was not fortunate in its early economists or their experiences. Deep into the twentieth century, most men, including great

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scholars, were to believe that wealth is produced by labor.

Karl Marx adopted some of the theories of the early political economists and rejected others, and developed his own rather simple set of theories. His basic economic doctrine is that all wealth (wealth in this case being all goods that people desire) is produced by labor (the term "labor" commonly being used in its popular sense). In this doctrine, gifts of nature evidently are taken for granted and capital is incorrectly assumed to be produced by labor alone. The doctrine is an excellent one for propaganda purposes because of its simplicity; its fault is that it demonstrably does not rest upon any foundation of truth.

Continuing with his doctrine claiming unique importance for "labor" in the production of wealth, Marx concluded (using acceptable logic but starting with a false premise) that since "labor" does not receive all the value of the goods produced, it is being "exploited" by the "bourgeois" employers who "filch" the "surplus value" of the goods. He attributed all the discomforts and privations endured by many of the employed workmen of his time to this imagined exploitation by employers. As a remedy for the imagined injustice to "labor," Marx urged a violent revolution with limitless destruction and cruelty, followed by the organization of a government with unlimited power to carry out the notions of a dictator or governing clique.

The Production of Wealth

The production of wealth, a world-wide and ever-changing human activity, is not a simple process and it is not easy to recognize all factors that take part in it. However, a thoughtful and unprejudiced person with extensive experience in, or close to, the production of wealth would doubtless note the importance of "know-how," risk-taking, the chance discovery of mineral wealth, and invention, and would conclude that many factors are involved in addition to the "capital" and "labor" that are so often mentioned.

A tentative list of factors is given below. Additional factors have been suggested and may deserve inclusion. The order of the factors in the list is not intended to be significant.

1. Mental capital; knowledge of the methods; technology; know-how
2. Chance discovery
3. Risk-taking
4. Invention
5. Gifts of nature; natural resources; "land"
6. Labor
7. Capital

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8. Management
9. Research
10. Initiative; enterprise
11. Self-denial
12. Foresight
13. Judgment

Mental Capital

This factor comprises the whole enormous volume of knowledge that is available for carrying on all wealth-producing activities. It is one of the fundamental factors in the production of wealth under the conditions of civilized life, since some portion of this fund of knowledge must be employed in every one of the countless individual operations which make up all the production processes used in manufacturing, construction, mining, and agriculture.

Richness in, or poverty in, mental capital can cause the difference in standards of living between a civilized industrial nation and a savage tribe, the same natural resources being accessible to both groups and the ability to work being equal. An example from history will illustrate the tremendous effects an abundant flow of mental capital into a particular region can bring about in a relatively short historical period.

California is generously endowed with gifts of nature available for use in the production of wealth; among these are: fertile soils, numberless sources of water power, petroleum, natural gas, timber, and valuable metals. These resources were present and untouched in the middle of the eighteenth century; and yet at that time the area of the state supported only a scanty population (estimated at 130,000 people) with a standard of living about as low as human beings can endure. Their houses were mere shelters covered with thatch, bark, or earth. Their clothing in good weather was nothing at all for men, only aprons of buckskin or shredded bark for women. Acorns were their main foodstuff; this was supplemented as opportunity offered by rabbits and other small game, grass seed, fish, shellfish, snakes, grasshoppers, snails, slugs, and angleworms.

Why did these people live in such revolting poverty in the presence of such an abundance of natural resources? Were they poor because they were being "exploited" by "bourgeois" employers? It is a silly question, but no sillier than the theory of poverty it has reference to, a theory that has been spread with great zeal by Marxists for more than a hundred years. The truth is, of course, that the aboriginal Californians were almost totally lacking in knowledge of the methods useful in producing wealth. (One example of their

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extreme ignorance is that they knew nothing of the use of wheels; another is that they did not know how to make cloth.) To be sure, they not only lacked knowledge, but also lacked physical capital in the form of tools and machines; but even if these had been given them, their conditions could not have been appreciably improved because of their ignorance.

The stupendous natural resources of California were little used until the middle of the nineteenth century. At that time settlers from the states to the east and from Europe began bringing in methods of wealth production, of which many had been used for centuries in the civilization of Europe, and others had been more recently developed by the invention and experimentation of the continuing Industrial Revolution. The effect of this influx of mental capital has been astounding. The rise in wealth that has taken place in California during the last one hundred years probably has no parallel in a century of the history of any other area of equal size. Instead of supporting 130,000 people with the lowest possible standard of living, the state now supports 15,537,413 with a standard of living equal to the best ever known.

An appreciable part of the world's store of mental capital is an accumulation of practical information which has come down to us from prehistoric times. Undoubtedly, this fund of knowledge was acquired in the remote past in the same way that additions to it are obtained today; that is, mainly from the results of chance discovery, invention, and experimentation. It seems probable, for instance, that the first process for making leather was developed from a chance discovery, the methods for making cloth from a number of inventions, and the effective use of draft animals from a long series of experiments.

For many centuries in Europe the growth of this fund of useful knowledge was slow and unsteady. In the eighteenth century, however, the rate of growth increased rapidly; it continued to increase throughout the nineteenth century, while in the present century growth has been at a rate unprecedented in human history.

Individuals acquire mental capital in ways of which a part may be classed as *labor;* among these are, study of the sciences and engineering, study in trade schools, and the practice of manual skills. Another factor also enters into these studies and practices; this is *self-denial,* which must be exercised by a large proportion of those who choose to study the physical sciences, engineering, and the mechanical arts rather than easier

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studies. Many people, however, especially those employed in the industries, acquire a great deal of mental capital painlessly and without conscious effort simply by listening to verbal instructions, and from their effortless observations resulting from daily contact with production methods in operation.

Interrelationships of considerable complexity exist among the factors, mental capital, physical capital, labor, invention, chance discovery, and research. Mental capital is necessary in the production of physical capital, and the reverse is nearly always true. Mental capital, physical capital, and labor are necessary in carrying out research; and research in turn is one of the most productive factors in building up the world's store of mental capital. Also, a kind of mutual aid relationship often is observed among the factors, invention, research, and chance discovery.

Other interrelationships can be pointed out, but no others are needed to lead to the conclusion that the production of wealth is an activity of much greater complexity than Marxists ever have admitted.

Chance Discovery and Risk Taking

One of the most dramatic episodes in the history of the human race began in the year 1859. This was the initiation and development of the petroleum industry. The first well ever drilled for the purpose of obtaining petroleum was a success; and an industry that is now one of the world's greatest began with a burst of enthusiasm and excitement that has never completely subsided.

Karl Marx was at the height of his career at this time; he could have learned all about this new industry if he had wished to do so. But if he had learned all the facts about this new way of producing wealth, he would have found that those facts exposed the falsity of the dogmas which had already won him fame. The petroleum industry in its early stages depended almost wholly on chance discovery for its establishment and growth; and chance discovery was necessarily coupled with risk taking. And chance discovery and risk taking certainly are not labor, which the Marxists insist is the only producer of wealth.

Marxist theories to the contrary notwithstanding, the early oil industry produced wealth at a marvelous rate, as statistics will show; and chance discovery, and risk taking, together with initiative, continued to be the main factors in producing this flood of new wealth. Labor, capital, and knowledge of the methods played secondary roles.

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A single example will illustrate the relative unimportance of labor and capital with respect to the amount of wealth produced. A blacksmith living near Franklin, Pennsylvania, wishing to drill for oil, thought it a good idea to start drilling in an abandoned salt well, to which he had access. He began work on his project by making his own drilling tools; he obtained a boiler and engine; then he and his sons built a derrick, and when all was ready they worked as their own drilling crew. The outlay of money was about $200. Oil was struck after the salt well had been deepened only a short distance. The well was such a good producer that the blacksmith received an offer of $100,000 for it.

It may be pointed out here, parenthetically, that in the first several decades of the petroleum industry capital for testing unproved but prospective oil fields always was easy to obtain. Money that poured in from rich new fields commonly was applied in part in exploration; and people always could be found who would risk money on wildcat wells.

In the latter half of the relatively short history of the petroleum industry, scientific research, systematic experimentation, invention, and the accumulated knowledge of years have revolutionized the methods of finding new oil fields. The risks involved in this exploratory work have been reduced to a notable degree. However, risk taking is still an important feature of such exploratory work and unexpected results still are obtained.

By the methods followed throughout its history, the petroleum industry has built up its production from an annual rate of about 2,000 barrels in 1859 to 7,126,980,000 barrels in 1959.

Chance discovery, in addition to the part it plays in producing new mineral wealth, is of the highest importance in building up the store of mental capital, which in turn adds to the world's wealth and to humanity's standards of living. Electron tubes, which have made possible many marvels of the present age, are examples of the remarkable results that may spring from a single chance discovery. The phenomenon discovered was called the "Edison effect." The discovery was a mere observation, a by-product of industrial research, which to the great gain of science and industry was correctly interpreted and promptly reported. The "Edison effect" has been put to practical use in the numerous kinds of electron tubes which have been invented and designed, and these tubes have been fundamental in the development of such useful ad-

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juncts of an advanced culture as television and digital computers.

Research concerned with industrial chemistry often has been accompanied by interesting chance discoveries. For example, in the 1890's a chemist was trying to find conditions under which sulfuric acid would act as an oxidizing agent for the conversion of naphthalene to phthalic anhydride, an organic chemical used at that time mainly in making synthetic dyes. Many experiments covering a wide range of conditions were carried out without any indications of eventual success. Finally, in one experiment a minor accident occurred and a thermometer immersed in the batch was broken; later it was found that the mercury from the thermometer bulb had acted as a catalyst and had brought about the desired reaction. From this accidental discovery a valuable large-scale process eventually was developed.

Invention

Marxists do not recognize invention in itself as a factor in the production of wealth. Possibly they profess to believe that invention is simply a form of labor. If so, they may be right in a small proportion of cases, but wrong in most. An invention at times may be the result of concentrated and prolonged mental effort which, by stretching definitions, can be interpreted as labor. But much more often an invention results from the effortless following of an interesting line of thought – in other words, from day dreaming, which by any sophistry cannot be construed as labor.

The Western World has a brilliant record in the field of invention. The period of the Industrial Revolution (roughly the last two centuries and a quarter) is recognized as an unprecedented epoch in history. It has been characterized by the production of an enormous number of inventions, which have brought about an extremely rapid rise in total wealth, in standards of living, and in enlightenment, and a corresponding rapid reduction in the total burden of heavy, tedious labor.

The Industrial Revolution started in England early in the eighteenth century. The first evidence of this intellectual outburst was a group of inventions which effected great improvements in the production of pig iron. Another series of inventions concerned with the textile industries followed (and partly overlapped) the first group. The textile industries were completely revolutionized. This wave of invention continued with a rising crest into and throughout the nineteenth century; it surged to still greater

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heights during the last quarter of that century, and has continued to rise (at least apparently) past the middle of the present century.

A sharp upturn which took place in the output of important inventions and discoveries late in the nineteenth century coincides approximately in time with the establishment of numerous research organizations for studying the application of science to the improvement of industrial processes and products. An invention often stimulates ideas for other inventions, and still more often it suggests ideas to be tested by systematic experimentation, that is, by research; and research often produces chance discoveries in addition to the anticipated discoveries which were the original aim of the investigation. As a consequence, invention, research, and chance discovery frequently aid each other to such an extent that results are obtained which are both unexpected and fortunate.

Society Revolutionized

In its progress the Industrial Revolution has created countless new industries, has transformed or greatly modified many old ones, and has affected human life in so many ways that a new type of civilization has been created. In its most recent phase, a period of the last seventy-five or eighty years, invention has added so much to the mental capital and total wealth of the world that only a very few of its contributions to the fulfillment of human wishes can be cited as a partial measure of its value. Television, moving pictures with sound, and radio broadcasting have been developed since 1920. The airplane in all its forms and applications is wholly a product of the twentieth century. Power driven machines for planting, cultivating, and harvesting agricultural crops, displacing the horse-drawn counterparts, are also mainly a twentieth century development. The gasoline engine, the automobile, the phonograph, the general distribution of electric current for domestic use, and the telephone were developed earlier, mainly in the last quarter of the nineteenth century. It is astonishing to reflect that these inventions have revolutionized Western civilization within the lifetime of many people still living.

That substantial benefits have been conferred on the Western World by the Industrial Revolution cannot be denied. (The most gratifying of the benefits is perhaps the enormous improvement in standards of living.) And it should be remembered that it was invention that started the revolution, and that it has been invention and its two allied factors, chance dis-

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covery and research, that have kept it going and which still keep adding one benefit after another as the revolution continues. An orthodox Marxist who tries to convince himself or others that the remarkable era in which we are living was brought about by "labor" will find all the facts of its history against him.

Labor

It is useless to discuss this essential factor in wealth production unless it is first defined with some precision, because the term "labor" brings up widely differing mental pictures, and carries various connotations, for different groups and persons. But difficulties have been found in arriving at a precise and satisfactory all-purpose definition of the factor; even Marx never defined "labor" precisely. However, labor in every popular and traditional sense is tiring, and this characteristic may be used to set it apart from other production factors which do not in themselves cause fatigue.

Hence, for the purposes of the present discussion, "labor" is any effort, directed toward the production of wealth, which produces fatigue. It follows that *chance discovery*, whether the result of pure luck, or partly brought about by the exercise of initiative, foresight, and judgment, is not labor; and neither is *invention* of the flash inspiration type; nor is the effortless and unintentional acquisition of *mental capital* by daily contact with methods and processes of production. By the same test, that of being tiresome in themselves, *risk taking, initiative, judgment, foresight,* and *self-denial* are not labor.

Capital

Since "capital" is by definition that portion of wealth that is applied to the production of more wealth, the numerous factors that are usually involved in wealth production are involved also in the production of capital; and the demonstrable facts of the existence of these multiple factors definitely prove the falsity of the Marxian dogma that capital is produced solely by labor.

Marxists refer to our relatively free economic system as the *capitalistic system* or as *capitalism*. By long-continued propaganda they have succeeded in attaching such a degree of odium to these names that they serve as smear terms. The implication of these terms is that the use of capital is characteristic of our economic system and is not a feature of a hypothetical Marxian system. The implication is ludicrously false – an economic system that does not segregate capital and use it in wealth pro-

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duction never has existed and cannot be imagined.

Research

The search for new and useful materials and for new and improved methods for producing desired articles must have begun as soon as the human race had acquired moderate powers of imagination. Certainly at very low levels of culture men have carried on crude industries. For example, they have made pottery and have built boats; and it seems certain that these accomplishments necessarily must have been preceded by the development of workable methods, and that such development would require extensive experimentation. Further, it is probable that in some cases a program of experimentation was well enough planned and carried out with enough thoroughness to represent a primitive form of research.

Alchemy was a field of experimentation in which an enormous amount of misdirected energy was expended during the first fifteen or sixteen centuries of the Christian era. It is the subject of a large amount of specialized literature and has been dealt with adequately by historians. The alchemists utterly failed to reach their avowed objective of making synthetic gold or silver. They ended their search of a millennium and a half without a trace of success – and without even hope or honor. Their fault was of course that they held too tenaciously to groundless beliefs and unsound theories. However, they made many valuable contributions to the world's store of useful knowledge in the fields of chemistry and metallurgy.

Modern research is carried on in permanent organizations. It is characterized by the use of a rational technique of experimentation and by the employment of all applicable scientific knowledge. This kind of research was not applied to the problems of the peacetime manufacturing and processing industries until the last two decades of the nineteenth century. Once established, however, research supported its own growth with the abundance of the discoveries it produced, and as a result it has grown during the twentieth century at a rate that may be described as explosive. This rapid growth of well-organized research – such research being reciprocally stimulated and aided by inventions and by chance discoveries – undoubtedly is connected with the similar tremendous increase in the world's store of mental capital that has taken place simultaneously.

A method for making iron that was worked out in the early centuries of the iron age and used for many following centuries produced

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the metal only in batches; and the batches had to be small enough to be lifted out of the smelting furnace by manpower. The batches as taken from the furnace consisted of white-hot, semisolid iron and liquid slag. The slag had to be separated from the iron by an extremely laborious process of pressing and hammering. The furnace was partly or completely cooled down between batches. This method, wasteful of labor and fuel, was used with little variation or improvement for over two thousand years. For many hundreds of these years it was known that iron could be melted in the smelting furnace and would flow out of the furnace as a liquid; but apparently this happened only accidentally and was considered a misfortune. Iron was not commonly used for castings during these centuries, although methods for casting other metals were known.

All that was needed to give the primitive iron industry a much wider field of usefulness in human affairs and to effect a great reduction in the cost of producing the metal was a program of systematic experimentation – that is, practical research.

Evidently the necessary experimental work finally was carried out, since the production of molten iron in the smelting process eventually became standard practice. The improved methods made cast iron cheap and abundant, and a rise in wealth and standards of living took place. A little research could have revolutionized the iron industry a thousand years earlier.

Initiative, Risk Taking, Self-denial, Foresight, and Judgment

These factors have characteristics in common and hence are grouped together for the purposes of the present brief review. All are intangible; all are derived from mental abilities or traits of character or both; none is labor as labor is defined in this discussion. Self-denial, foresight, and judgment do not involve labor when exercised; initiative and risk taking may involve labor and other factors.

Initiative is of first rank importance in the production of wealth since it is the factor that always starts the chain of events that lead to the creation of new production facilities. The chain of events may bring about the testing of a new machine, the discovery of a new process, the building of a new manufacturing plant, or even the creation of a new industry. Somewhat less directly, it may start research projects which will lead eventually to new production means.

Initiative is always personal. The forces of destiny may make

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all preparations for an important new event in wealth production; but only a person can produce or recognize a key idea, make the resolution to take action, and perform the first act leading to the reduction of the idea to practice. An element of chance is thus introduced into the inception of projects for increasing the production of wealth. Circumstances, time, and place may be favorable, but the right person may not be present. In this way the beginning of a project that eventually will be of great value may be delayed indefinitely. Strange intervals of stagnation which have occurred in the progress of industry may be attributed, at least in part, to this uncertainty in the appearance of the needed personal influence.

An example is known of a machine that gave excellent service in one industry, and which after a long lapse of time was adapted to a very different kind of work, where it was badly needed and where again it served well. The machine was designed in the 1790's for shearing the nap of certain kinds of woolen cloth. Knives, each of which was bent into the form of an elongated helical curve, were fixed in parallel around a horizontal axle; in operation the knives were rotated rapidly about the axle. The cutting was done by the rotating knives coming into sliding contact with a fixed straight knife.

This method of cutting eventually was applied in the design of a well-known kind of lawn mower, only the means for rotating the knives being changed. But some seventy years elapsed before this much-needed adaptation was made. It seems highly probable that a lack of initiative was the only cause of the delay.

Risk taking is present in nearly all wealth-producing activities, but is most prominent in research and in new industries. Its function in helping to create new sources of wealth makes it one of the most productive of all factors. Practically all investments of capital involve risks, and risk taking is one of the contributions to the production of wealth for which investors have every right to receive compensation.

Self-denial plays a prominent part in the accumulation of physical capital by an individual, and a similar role in the acquisition of mental capital by individuals.

Foresight and *judgment*, like risk taking, are most valuable in research and in the development of new wealth-producing means.

Conclusions

The fundamental doctrine of the Marxists in the field of economics is that all wealth is produced by

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labor. However, evidence of a kind that can be tested by observation and by personal experience shows that this doctrine is false. Such evidence shows that the production of wealth is not a simple process but a complicated one involving many factors besides labor. It follows that all conclusions based on the main Marxian dogma are fallacious because based on a false premise.

Starting with their basic dogma and other false premises, the adherents of the Marxian cult reach the conclusion that "labor," a part of humanity they never precisely define, is grievously "exploited." As a remedy for this imagined injustice they ceaselessly advocate, and when possible bring about, violent revolutions with limitless destruction and atrocious cruelty, followed by the formation of governments with unlimited powers.

It must be concluded that Marxism, because of its record of violence, cruelty, and tyranny, and because of its complete lack of any foundation of truth, is Humanity's worst folly. ◆

IDEAS ON LIBERTY

Individual Freedom

THERE is much written and said these days about the need for discovering – or rediscovering – our national purpose. In these times of swiftly changing social conditions and shifting political and economic ideas we believe it is vital that Americans understand and tie fast to the values which made the nation great.

These values – the national purpose itself – are set forth clearly in the Declaration of Independence and the Constitution. Nowhere have these values been better translated into practical, positive action than in our free enterprise system.

This system today is in peril. Outside our country formidable forces are determined to replace it with a totalitarian concept. Within, it is in danger of being eaten away, piece by piece, by steadily encroaching socialism disguised in such clothing as social welfare and "public benefit" regulation.

As said by William Penn: "Governments, like clocks, go from the motion men give them, and governments are made and moved by men, so by them they are ruled also. Therefore, governments depend upon men rather than men upon governments."

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U.S. FOREIGN AID

LAWRENCE SULLIVAN

TOTAL FOREIGN AID OUTLAYS by the U.S. Treasury since World War II add up to $78.5 billion, through March 31, 1960.

The current recapitulation, from a tabulation by the Office of Business Economics, Department of Commerce, includes military assistance, economic aid, all government credits, plus all surplus farm products delivered abroad for blocked currencies. Not included are U.S. military payrolls overseas nor the direct U.S. administration costs of some thirty different foreign aid programs under direct U.S. supervision and control.

The fifteen-year breakdown, by types of aid:

Economic assistance	$47.9 billion
Military assistance	25.8 "
Capital subscriptions (International credit agencies)	4.8 "
Total	$78.5 "

The table below shows the combined total to each of the principal nations assisted by the various U.S. programs:

U.S. FOREIGN AID
(October 1945 through March 31, 1960)

	Millions		*Millions*
France	$9,709	Formosa	4,381
United Kingdom	7,722	Korea	3,755
Italy	4,834	Japan	3,178
Germany	4,584	Greece	2,739

Mr. Sullivan is Coordinator of Information, U.S. House of Representatives.

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	Millions		*Millions*
Turkey	2,642	Guatemala	94
Netherlands	2,091	Finland	87
Yugoslavia	2,026	Tunisia	77
Belgium-Luxembourg	1,867	Lebanon	70
Vietnam	1,572	Iraq	69
India	1,386	Ethiopia	64
Philippines	1,189	Burma	64
Austria	1,092	Ecuador	63
Spain	980	Haiti	60
Norway	892	Iceland	54
Indo-China	821	Cuba	53
Iran	813	Trust Territory of	
Brazil	782	Pacific Islands	52
Pakistan	778	Liberia	52
Denmark	719	Ceylon	52
Poland	654	Costa Rica	47
Israel	596	Uruguay	40
Thailand	480	Panama	32
U.S.S.R.	423	Rhodesia	32
Indonesia	408	Paraguay	28
Portugal	368	Hungary	27
Mexico	321	Nicaragua	24
Laos	261	Honduras	22
Peru	257	Albania	20
Ryukyu Islands	237	Saudi Arabia	18
Argentina	229	Sudan	17
Cambodia	228	East Germany	17
Chile	228	Nepal	17
Egypt	208	New Zealand	12
Colombia	202	El Salvador	9
Jordan	194	Dominican Republic	8
Czechoslovakia	191	Venezuela	7
Bolivia	181	Yemen	5
Ireland	142	Somaliland	4
Libya	113	Ghana	3
Morocco	106	Guinea	2
Sweden	105	Malaya	1
Afghanistan	98		

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THE COMMON SENSE OF PROGRESS

F. A. HAYEK

IF TODAY in the United States or western Europe the relatively poor can have a car or a refrigerator, an airplane trip or a radio, at the cost of a reasonable part of their income, this was made possible because in the past others with larger incomes were able to spend on what was then a luxury. The path of advance is greatly eased by the fact that it has been trodden before. It is because scouts have found the goal that the road can be built for the less lucky or less energetic. What today may seem extravagance or even waste, because it is enjoyed by the few and even undreamed of by the masses, is payment for the experimentation with a style of living that will eventually be available to many.

The range of what will be tried and later developed, the fund of experience that will become available to all, is greatly extended by the unequal distribution of present benefits; and the rate of advance will be greatly increased if the first steps are taken long before the majority can profit from them. Many of the improvements would indeed never become a possibility for all if they had not long before been available to some. If all had to wait for better things until they could be provided for all, that

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Friedrich A. Hayek is an economic theorist of international reputation, perhaps best known for his 1944 classic, *The Road to Serfdom*. Formerly a professor at the University of London, he has been at the University of Chicago since 1950 as professor of social and moral science in the Committee on Social Thought.

The Constitution of Liberty, his most recent book, analyzes the ethical foundations of a free society, the laws and institutions developed to secure individual liberty, and the modern welfare-state departures from freedom. The October FREEMAN carried an excerpt from the book, presenting the case for freedom. This essay, concerning progress, is from the third chapter.

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day would in many instances never come. Even the poorest today owe their relative material well-being to the results of past inequality.

In a progressive society as we know it, the comparatively wealthy are thus merely somewhat ahead of the rest in the material advantages which they enjoy. They are already living in a phase of evolution that the others have not yet reached. Poverty has, in consequence, become a relative, rather than an absolute, concept. This does not make it less bitter. Although in an advanced society the unsatisfied wants are usually no longer physical needs but the results of civilization, it is still true that at each stage some of the things most people desire can be provided only for a few and can be made accessible to all only by further progress.

Most of what we strive for are things we want because others already have them. Yet a progressive society, while it relies on this process of learning and imitation, recognizes the desires it creates only as a spur to further effort. It does not guarantee the results to everyone. It disregards the pain of unfulfilled desire aroused by the example of others. It appears cruel because it increases the desire of all in proportion as it increases its gifts to some. Yet so long as it remains a progressive society, some must lead, and the rest must follow.

The contention that in any phase of progress the rich, by experimenting with new styles of living not yet accessible to the poor, perform a necessary service without which the advance of the poor would be very much slower will appear to some as a piece of far-fetched and cynical apologetics. Yet a little reflection will show that it is fully valid and that a socialist society would in this respect have to imitate a free society.

Someone Has To Be First

It would be necessary in a planned economy (unless it could simply imitate the example of other more advanced societies) to designate individuals whose duty it would be to try out the latest advances long before they were made available to the rest. There is no way of making generally accessible new and still expensive ways of living except by their being initially practiced by some. It would not be enough if individuals were allowed to try out particular new things. These have their proper use and value only as an integral part of the general advance in which they are the next thing desired. In order to know which of the various new pos-

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sibilities should be developed at each stage, how and when particular improvements ought to be fitted into the general advance, a planned society would have to provide for a whole class, or even a hierarchy of classes, which would always move some steps ahead of the rest.

The situation would then differ from that in a free society merely in the fact that the inequalities would be the result of design and that the selection of particular individuals or groups would be done by authority rather than by the impersonal process of the market and the accidents of birth and opportunity. It should be added that only those kinds of better living approved by authority would be permissible and that they would be provided only for those specially designated. But, in order for a planned society to achieve the same rate of advance as a free society, the degree of inequality that would have to prevail would not be very different.

How Much Inequality?

There is no practical measure of the degree of inequality that is desirable here. We do not wish, of course, to see the position of individuals determined by arbitrary decision or a privilege conferred by human will on particular persons. It is difficult to see however, in what sense it could ever be legitimate to say that any one person is too far ahead of the rest or that it would be harmful to society if the progress of some greatly outstripped that of others. There might be justification for saying this if there appeared great gaps in the scale of advance; but, as long as the graduation is more or less continuous and all the steps in the income pyramid are reasonably occupied, it can scarcely be denied that those lower down profit materially from the fact that others are ahead.

The objections spring from the misconception that those in the lead claim the right to something that otherwise would be available to the rest. This would be true if we thought in terms of a single redistribution of the fruits of past progress and not in terms of that continuous advance which our unequal society fosters. In the long run, the existence of groups ahead of the rest is clearly an advantage to those who are behind, in the same way that, if we could suddenly draw on the more advanced knowledge which some other men on a previously unknown continent or on another planet had gained under more favorable conditions, we would all profit greatly.

The problems of equality are difficult to discuss dispassionately when members of our own com-

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munity are affected. They stand out more clearly when we consider them in their wider aspect, namely, the relation between rich and poor countries. We are then less apt to be misled by the conception that each member of any community has some natural right to a definite share of the income of his group. Although today most of the people of the world benefit from one another's efforts, we certainly have no reason to consider the product of the world as the result of a unified effort of collective humanity.

Although the fact that the people of the West are today so far ahead of the others in wealth is in part the consequence of a greater accumulation of capital, it is mainly the result of their more effective utilization of knowledge. There can be little doubt that the prospect of the poorer, "undeveloped" countries reaching the present level of the West is very much better than it would have been, had the West not pulled so far ahead. Furthermore, it is better than it would have been, had some world authority, in the course of the rise of modern civilization, seen to it that no part pulled too far ahead of the rest and made sure at each step that the material benefits were distributed evenly throughout the world. If today some nations can in a few decades acquire a level of material comfort that took the West hundreds or thousands of years to achieve, is it not evident that their path has been made easier by the fact that the West was not forced to share its material achievements with the rest – that it was not held back but was able to move far in advance of the others?

Not only are the countries of the West richer because they have more advanced technological knowledge but they have more advanced technological knowledge because they are richer. And the free gift of the knowledge that has cost those in the lead much to achieve enables those who follow to reach the same level at a much smaller cost. Indeed, so long as some countries lead, all the others can follow, although the conditions for spontaneous progress may be absent in them. That even countries or groups which do not possess freedom can profit from many of its fruits is one of the reasons why the importance of freedom is not better understood.

Civilization Can Be Copied

For many parts of the world the advance of civilization has long been a derived affair, and, with modern communications, such countries need not lag very far behind, though most of the innovations may originate elsewhere.

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How long has Soviet Russia or Japan been living on an attempt to imitate American technology! So long as somebody else provides most of the new knowledge and does most of the experimenting, it may even be possible to apply all this knowledge deliberately in such a manner as to benefit most of the members of a given group at about the same time and to the same degree. But, though an egalitarian society could advance in this sense, its progress would be essentially parasitical, borrowed from those who have paid the cost.

It is worth remembering in this connection that what enables a country to lead in this world-wide development are its economically most advanced classes and that a country that deliberately levels such differences also abdicates its leading position – as the example of Great Britain so tragically shows. All classes there had profited from the fact that a rich class with old traditions had demanded products of a quality and taste unsurpassed elsewhere and that Britain, in consequence, came to supply to the rest of the world. British leadership has gone with the disappearance of the class whose style of living the others imitated. It may not be long before the British workers will discover that they had profited by being members of a community containing many persons richer than they and that their lead over the workers in other countries was in part an effect of a similar lead of their own rich over the rich in other countries.

A Fast Pace for Progress

If on an international scale even major inequalities may be of great assistance to the progress of all, can there be much doubt that the same is also true of such inequalities within a nation? Here, too, the over-all speed of advance will be increased by those who move fastest. Even if many fall behind at first, the cumulative effect of the preparation of the path will, before long, sufficiently facilitate their advance that they will be able to keep their place in the march. Members of a community containing many who are rich enjoy, in fact, a great advantage not available to those who, because they live in a poor country, do not profit from the capital and experience supplied by the rich; it is difficult to see, therefore, why this situation should justify a claim to a larger share for the individual.

It seems indeed generally to be the case that, after rapid progress has continued for some time, the cumulative advantage for those who follow is great enough to enable them to move faster than those who lead and that, in conse-

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quence, the long-drawn-out column of human progress tends to close up. The experience of the United States at least seems to indicate that, once the rise in the position of the lower classes gathers speed, catering to the rich ceases to be the main source of great gain and gives place to efforts directed toward the needs of the masses. Those forces which at first make inequality self-accentuating thus later tend to diminish it.

Short-term Gain: Long-term Loss

Therefore, there must be two different ways of looking at the possibility of reducing inequality and abolishing poverty by deliberate redistribution – that is, from a long-term or a short-term point of view. At any given moment we could improve the position of the poorest by giving them what we took from the wealthy. But, while such an equalizing of the position in the column of progress would temporarily quicken the closing-up of the ranks, it would, before long, slow down the movement of the whole and in the long run hold back those in the rear.

Recent European experience strongly confirms this. The rapidity with which rich societies here have become static, if not stagnant, societies through egalitarian policies, while impoverished but highly competitive countries have become very dynamic and progressive, has been one of the most conspicuous features of the postwar period. The contrast in this respect between the advanced Welfare States of Great Britain and the Scandinavian countries, on the one hand, and countries like Western Germany, Belgium, or Italy, is beginning to be recognized even by the former. If a demonstration had been needed that there is no more effective way of making a society stationary than by imposing upon all something like the same average standard, or no more effective way of slowing down progress than by allowing the most successful a standard only a little above the average, these experiments have provided it.

It is curious that, while in the case of a primitive country every detached observer would probably recognize that its position offered little hope so long as its whole population was on the same low dead level and that the first condition for advance was that some should pull ahead of the others, few people are willing to admit the same of more advanced countries. Of course, a society in which only the politically privileged are allowed to rise, or where those who rise first gain political power and use it to keep the others down, would be no better than an egalitarian society. But all obstacles to

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the rise of some are, in the long run, obstacles to the rise of all; and they are no less harmful to the true interest of the multitude because they may gratify its momentary passions.

With respect to the advanced countries of the West it is sometimes contended that progress is too fast or too exclusively material. These two aspects are probably closely connected. Times of very rapid material progress have rarely been periods of great efflorescence of the arts, and both the greatest appreciation and the finest products of artistic and intellectual endeavor have often appeared when material progress has slackened. Neither western Europe of the nineteenth century nor the United States of the twentieth is eminent for its artistic achievements. But the great outbursts in the creation of nonmaterial values seem to presuppose a preceding improvement in economic condition. It is perhaps natural that generally after such periods of rapid growth of wealth there occurs a turning toward nonmaterial things or that, when economic activity no longer offers the fascination of rapid progress, some of the most gifted men should turn to the pursuit of other values.

This is, of course, only one and perhaps not even the most important aspect of rapid material progress that makes many of those who are in its van skeptical of its value. We must also admit that it is not certain whether most people want all or even most of the results of progress. For most of them it is an involuntary affair which, while bringing them much they strive for, also forces on them many changes they do not want at all. The individual does not have it in his power to choose to take part in progress or not; and always it not only brings new opportunities but deprives many of much they want, much that is dear and important to them. To some it may be sheer tragedy, and to all those who would prefer to live on the fruits of past progress and not take part in its future course, it may seem a curse rather than a blessing.

The World Is Not Static

There are, especially, in all countries and at all times groups that have reached a more or less stationary position, in which habits and ways of life have been settled for generations. These ways of life may suddenly be threatened by developments with which they have had nothing to do, and not only the members of such groups but often outsiders also will wish them to be preserved.

Many of the peasants of Europe, particularly those in the remote

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mountain valleys, are an example. They cherish their way of life, though it has become a dead end, though it has become too dependent on urban civilization, which is continually changing, to preserve itself. Yet the conservative peasant, as much as anybody else, owes his way of life to a different type of person, to men who were innovators in their time and who by their innovations forced a new manner of living on people belonging to an earlier state of culture; the nomad probably complained as much about the encroachment of enclosed fields on his pastures as does the peasant about the encroachments of industry.

Progress Requires Change

The changes to which such people must submit are part of the cost of progress, an illustration of the fact that not only the mass of men but, strictly speaking, every human being is led by the growth of civilization into a path that is not of his own choosing. If the majority were asked their opinions of all the changes involved in progress, they would probably want to prevent many of its necessary conditions and consequences and thus ultimately stop progress itself. And I have yet to learn of an instance when the deliberate vote of the majority (as distinguished from the decision of some governing elite) has decided on such sacrifices in the interest of a better future as is made by a free-market society. This does not mean, however, that the achievement of most things men actually want does not depend on the continuance of that progress which, if they could, they would probably stop by preventing the effects which do not meet with their immediate approval.

Not all the amenities that we can today provide for the few will sooner or later be available to all; with such amenities as personal services, it would be clearly impossible. They are among the advantages which the wealthy are deprived of by progress. But most of the gains of the few do, in the course of time, become available to the rest. Indeed, all our hopes for the reduction of present misery and poverty rest on this expectation. If we abandoned progress, we should also have to abandon all those social improvements that we now hope for. All the desired advances in education and health, the realization of our wish that at least a large proportion of the people should reach the goals for which they are striving, depend on the continuance of progress. We have only to remember that to prevent progress at the top would soon prevent it all the way down, in order to see that this result is really the last thing we want.

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We have so far concerned ourselves mainly with our own country or with those countries which we consider to be members of our own civilization. But we must take into account the fact that the consequences of past progress – namely, world-wide extension of rapid and easy communication of knowledge and ambitions – have largely deprived us of the choice as to whether or not we want continued rapid progress. The new fact in our present position that forces us to push on is that the accomplishments of our civilization have become the object of desire and envy of all the rest of the world.

Regardless of whether from some higher point of view our civilization is really better or not, we must recognize that its material results are demanded by practically all who have come to know them. Those people may not wish to adopt our entire civilization, but they certainly want to be able to pick and choose from it whatever suits them. We may regret, but cannot disregard, the fact that even where different civilizations are still preserved and dominate the lives of the majority, the leadership has fallen almost invariably into the hands of those who have gone furthest in adopting the knowledge and technology of Western civilization.

While superficially it may seem that two types of civilization are today competing for the allegiance of the people of the world, the fact is that the promise they offer to the masses, the advantages they hold out to them, are essentially the same. Though the free and the totalitarian countries both claim that their respective methods will provide more rapidly what those people want, the goal itself must seem to them the same. The chief difference is that only the totalitarians appear clearly to know how they want to achieve that result, while the free world has only its past achievements to show, being by its very nature unable to offer any detailed "plan" for further growth.

A Delicate Dilemma

But if the material achievements of our civilization have created ambitions in others, they have also given them a new power to destroy it if what they believe is their due is not given them. With the knowledge of possibilities spreading faster than the material benefits, a great part of the people of the world are today dissatisfied as never before and are determined to take what they regard as their rights. They believe as much and as mistakenly as the poor in any one country that their goal can be achieved by a redistribution of

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already existing wealth, and they have been confirmed in this belief by Western teaching. As their strength grows, they will become able to extort such a redistribution if the increase in wealth that progress produces is not fast enough. Yet a redistribution that slows down the rate of advance of those in the lead must bring about a situation in which even more of the next improvement will have to come from redistribution, since less will be provided by economic growth.

The aspirations of the great mass of the world's population can today be satisfied only by rapid material progress. There can be little doubt that in their present mood a serious disappointment of their expectations would lead to grave international friction – indeed, it would probably lead to war. The peace of the world and, with it, civilization itself thus depend on continued progress at a fast rate. At this juncture we are therefore not only the creatures but the captives of progress; even if we wished to, we could not sit back and enjoy at leisure what we have achieved.

Our task must be to continue to lead, to move ahead along the path which so many more are trying to tread in our wake. At some future date when, after a long period of world-wide advance in material standards, the pipelines through which it spreads are so filled that, even when the vanguard slows down, those at the rear will for some time continue to move at an undiminished speed, we may again have it in our power to choose whether or not we want to go ahead at such a rate. But at this moment, when the greater part of mankind has only just awakened to the possibility of abolishing starvation, filth, and disease; when it has just been touched by the expanding wave of modern technology after centuries or millennia of relative stability; and as a first reaction has begun to increase in number at a frightening rate, even a small decline in our rate of advance might be fatal to us.

IDEAS ON LIBERTY

Alexis de Tocqueville

NOTHING is more fertile in prodigies than the art of being free; but there is nothing more arduous than the apprenticeship of liberty.... Liberty is generally established with difficulty in the midst of storms; it is perfected by civil discords; and its benefit cannot be appreciated until it is already old.

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THE SCIENCE CALLED *Economics*

PERCY L. GREAVES, JR.

"It is no part of the task of science to examine ultimate questions or to prescribe values and determine their order of rank. . . . The simpler task of science is to develop a theoretical system of cause-and-effect relationships enabling us to arrange our action in such a way that we can attain the goals we aim at. . . .

"Metaphysics and science perform different functions. . . . They can work side by side without enmity because they need not dispute each other's domain as long as they do not misconstrue their own character. A conflict arises only when one or the other attempts to overstep the boundary between them. . . . Reason and science deal only with isolated fragments detached from the living whole. . . . We are unable to grasp the whole by reasoning, but we can experience it in living."

These are the words of Ludwig von Mises as translated by George Reisman in *Epistemological Problems of Economics* (D. Van Nostrand Company, 239 pp., $5.50), which first appeared in 1933 under the German title *Grundprobleme der Nationalökonomie*. In making this basic work available in English, Mr. Reisman and his editor, Mr. Arthur Goddard, have performed a valuable service for serious students, although in a few cases the translated words are not those Professor Mises would now use. The volume contains eight essays devoted to the fundamental problems of human knowledge which had to be solved before man's grasp of economics could be called scientific. They reveal some of the many steps by which the eminent professor reached the conclusions so succinctly presented in the first two hundred pages of his great treatise, *Human Action*.

"The purpose of this book," as Mises' Preface tells us, "is to establish the logical legitimacy of the science that has for its object the universally valid laws of human action, i.e., laws that claim validity without respect to the

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place, time, race, nationality, or class of the actor. . . . I considered it essential to reformulate, in this context," he writes, "several basic ideas of economic theory in order to free them of the inconsistencies and confusions that had generally attached to them in previous presentations. I thought it pertinent also to expose the psychological factors that nourish the opposition to the acceptance of economic theory."

The first and longest essay discusses "The Task and Scope of the Science of Human Action." Dr. Mises defines human action as "conscious behavior on the part of a human being."

A man without ideas is incapable of seeing any significance in any facts his senses may register. He is thus incapable of acting. Ideas are "always logically prior" to human experience or understanding, hence they precede human action, and thus action is, by definition, always rational.

This means that "what we know about our action under given conditions is derived not from experience, but from reason. What we know about the fundamental categories of action – action, economizing, preferring, the relationship of means and ends, and everything else that, together with these, constitutes the system of human action – is not derived from experience. We conceive all this from within. . . . Nor could experience ever lead anyone to the knowledge of these things if he did not comprehend them from within himself."

The concept of action implies, as prerequisites, "a state of dissatisfaction," and "the possibility of removing or alleviating it by taking action." In short, the concept of action implies an understanding of cause and effect. The effect that each action is designed to bring about is "the removal of a dissatisfaction" the actor believes would exist if the action were not undertaken.

"Everyone again and again finds himself confronted with a situation in which his conduct . . . helps to determine whether or not his goals are attained. . . . The point at which the science of action begins its work is the mutual incompatibility of individual desires and the impossibility of perfect satisfaction. Since it is not granted to man to satisfy all his desires completely, inasmuch as he can attain one end only by foregoing another . . . he must choose and value, prefer and set aside – in short, act....

"Economic action consists in the endeavor . . . to satisfy wants as far as the scarcity of means allows. . . . Goals change, ideas of technology are transformed, but action . . . always seeks means to realize

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ends, and it is in this sense always rational and mindful of utility. It is, in a word, human."

In a short review one cannot list all the important points that Dr. Mises makes in his second essay, "Sociology and History," which deals with the basic distinctions and overlappings of history and economic theory.

His careful scalpel exposes the fine points that historians and economists must first grasp before they can add to man's knowledge of their subjects. He applies the principles of his first essay to show that men cannot even think of history, much less interpret it, without first having some ideas about action and causality.

He thus explodes the "naive belief that, unprejudiced by any theory, one can derive history directly from the sources." He finds that "no explanations reveal themselves directly from the facts." Since "history cannot be imagined without theory," the historian must choose between "naive obsolete theory" and "universally valid propositions about human action."

The shorter essays cover a number of other important points that popular thinking now neglects. In one he distinguishes between "conception," which "seeks the meaning of action through discursive reasoning," and "understanding" which "seeks the meaning of action in empathic intuition of a whole." He also points out that "where conception is at all applicable, it takes precedence over understanding in every respect." For "what has been arrived at by means of conception must be acknowledged as established, or else must be shown to be either unproved or confuted." In short, we never "play a hunch" when our reasoning presents us with an answer we consider sound.

We also learn that "using concepts of changeable content, one can argue excellently. . . . However . . . this is not a need of scientific thought . . . but the need of political parties that are unable to justify their programs logically. Today these parties are striving for world dominion with good prospect of success. The masses follow them, the State has handed over all the schools to them, and the literati praise them to the skies." Written thirty years ago, this statement still stands.

Several of the essays present details of man's slowly developing knowledge of scientific economic thought. Mises cites many of the confusions that led to the popular fallacies of our day. He also points out the fundamental weaknesses of the classical economists and how their errors led to the now exploded theory of "the economic

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man." He devotes many pages to the slow evolution of man's understanding of the full significance of the subjective theory of value. He indicates errors in the original presentations that led to later ambiguities. The correct application of this theory provides all the clues we need to diagnose the causes of the so-called "business cycle." He stresses the senselessness of trying to solve this and other economic problems by gathering and studying facts and statistics without benefit of a scientific theory of cause and effect.

One valuable essay, "The Psychological Basis of the Opposition to Economic Theory," goes a long way toward explaining present conditions. He considers here the views of those who discount the teachings of economics because they are "deliberately not taught at the universities." Such people "consider a theory to be finally disposed of merely because the authorities who control appointments to academic positions want to know nothing of it." These people see "the criterion of truth in the approval of a government office."

This essay also traces the antipathy and disdain for the creators of wealth from Cicero to modern times. It has been propagated throughout history by the "great aristocratic landowners, princely courtiers, officers of the army and government officials. . . . It springs directly from the views held in the circles of the educated classes who were in public service and enjoyed a fixed salary and a politically recognized status." Perhaps it is only natural that such vested interests should resent a science that reveals who are the real parasites of our civilization.

The world today is sadly in need of the knowledge that only the science of economics can provide. Millions believe that economic laws can be repealed and poverty wiped out by voting to do so at the polls. Too few know that there are unalterable laws in the social realm that must be learned and harnessed if the world is to prosper in peace.

The fallacies we hear and read every day were originally the ideas of men little known to most Americans. Dr. Mises has traced a goodly number of these fallacies to their sources. He then uses the lucidity of his logic to expose them.

Ludwig von Mises is the modern master of the science known as economics. His writings may be difficult, but if each of us would read and digest what he could, we would all then have a better grasp of the policies we must pursue, if ever we are to enjoy the continuous prosperity of a durable free society.

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A Nation of Purposeful People

WHEN I OBJECTED, in a journalistic essay taking off from the first articles in a *LIFE* magazine series on the "national purpose," that a government with a set purpose of its own is likely to become an anti-human monstrosity, I found myself in an unsatisfactory argument with Archibald MacLeish. In the interchange it developed that we thought we were talking about the same thing. The "purpose" of our Founders, so I insisted at the outset, was to free men from governmental purpose in order that they might pursue a thousand-and-one individual and group purposes of their own. But this, according to Mr. MacLeish, is hardly in contradiction of his statement that our National Purpose has always been to Extend Freedom. Freedom means the pursuit of individual purposes.

If Mr. MacLeish doesn't propose using compulsion to draft me, whether in my person or in the product of my energies, to fight for his own definition of freedom on a field which I would not myself choose, I have no basic quarrel with his semantics other than to point out a certain vagueness in the formulation. But the trouble with the *LIFE* series as a whole is that the argument goes the way of all paradox, to conclusions that can mean all things to all men. What do we mean by "national purpose"? Can it be any more certain than Rousseau's old General Will? Henry Luce, in a foreword to the *LIFE* articles as they are collected and amplified in a book called *The National Purpose* (Holt, Rhinehart and Winston, $2.95), isn't at all sure. "Peace?" he asks. "Perhaps Peace is the No. 1 Purpose, but what kind of Peace – and, even, what do we do with Peace when we have it or if we get it? Peace, of course. Peace in Freedom. But Freedom to do what? And be what?"

So Mr. Luce comes back to questions that are fundamentally

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cosmic or religious – and hence out of traditional bounds in a discussion of "national" purpose in a country which accepts the separation of Church and State. As for the majority of the contributors to this volume, they go round and round, grabbing for the brass ring of certainty but generally falling off the horse just as they are about to reach it. John K. Jessup, the editor of the book, is on and off the merry-go-round when he talks about "a consensus of private purposes." He doubts that "in the fatness of our pursy times" our private purposes add up to any firm "national" direction. But where does this leave us? Mr. Jessup, quite rightly, refuses to call for the gendarmes. "As T. R. used to say," he writes, " a patriot will make the most of himself. If enough do, so will the nation."

But the patriot that is Adlai Stevenson, who follows Mr. Jessup in the book, can only think of establishing "priorities" by governmental force. The "patriots" are not to be trusted with their own decisions. Mr. Stevenson speaks of "restoration of compassion," but the compassion is to be administered by men like himself, sitting in political office. Mr. MacLeish, insofar as he is specific, speaks of "tools of action – military assistance and above all economic and industrial and scientific aid." But who is to wield the tools, the volunteer or the impressed agent? And are the tools to be freely granted or extorted by force? Clinton Rossiter, a professor of history, says a "mission" has been our "historic necessity." But if it is currently our "mission" to "show the way to enduring peace," how does that consort with the Soviet "mission" to make the world safe for communism? Do we knuckle under to the Russians if they threaten war? In stating a problem Mr. Rossiter has not solved it. Nor does his attack on "threadbare prejudices about the role of government" – meaning prejudices against departing from the traditional American commitment to voluntary action – inspire any confidence that Rossiter really respects freedom. He says "we" lure far too many talented young people into advertising and far too few into city planning, far too many into car-dealing and far too few into teaching. Just whom does he mean by "we"? And would he *compel* young men and women to become city planners or teachers?

Individuals with a Purpose

The best articles in the book are by Albert Wohlstetter of the Rand Corporation and James Reston, Washington correspondent of the *New York Times*. Mr. Wohlstetter

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doubts that we have become a frivolous nation, in need of the compelled sacrifices that Professor Rossiter suggests. "Consumers," he notes, "have increased their spending for such sober purposes as medical care and education faster than the rise in their incomes and faster than the increase in spending for recreation or for the iniquitous tail fins." As for the alleged crisis in "culture," Mr. Wohlstetter is not certain there is one. "Myself," he says, "I don't care for tail fins or Elvis or advertising jingles or even Coca-Cola, but I doubt that their popularity is a national danger. An immense sea of mediocrity surrounds but has not submerged poets such as Robert Lowell and Elizabeth Bishop. . . . the choreographers Martha Graham and George Balanchine, and an abundance of excellent architects. . . . New York concert halls offer an extraordinary range of music from ancient to modern that is unmatched in Paris, London, or Rome. . . ."

In short, Mr. Wohlstetter has a sense of individuals pursuing their own purposes without hurting their fellows or wishing to control them to the end of imposing any particular set of purposes on everybody. As for Mr. Reston, he suspects that "public debates on the national purpose" give 180 million Americans a pain. "The Americano, circa 1960," says Mr. Reston, "is in no mood to rush off on his own initiative to 'emancipate the human race,' or to set any new records as the greatest benefactor of all time, or engage in any of the other crusades mapped out for him in Cambridge, Mass." But the "Americano" has made a genuine effort to clear the wreckage of the last war, and if he has turned away from settling all the affairs of the Middle East, the Far East, and Africa, it has been a turn without panic toward "the community and the family." In the fifteen years of the atomic age, says Mr. Reston, the American people "have increased the population of the nation by more than 40 million, which is not the action of a frightened people. . . ." Mr. Reston thinks Americans will do what they have to do to maintain themselves as a free people, provided they have leaders to show them the way. But he, too, is vague when he speaks of bringing "spunk and spirit" into service of the nation "by free methods."

The "Purposeless" Past

Walter Lippmann's summarizing article speaks of the dominant "national purpose" of the past. We fought the French, the Indians, and the British, and the Spanish, the Mexicans, and the

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Indians again, to "consolidate the national territory." But was this ever the "national purpose"? Or was it the more or less automatic result of innumerable individual purposes, which kept demanding more room for the expansion of individual energies?

Indeed, it is entirely arguable that intellectuals have always been wrong about the necessity for blueprinting the future of the Republic. Ralph Waldo Emerson once complained that "from 1790 to 1820, there was not a book, a speech, a conversation, or a thought in the state" of Massachusetts. Mr. Emerson was obviously not privy to what his forebears had been thinking during a thirty-year span; what he meant to convey is that Harvard College had not been producing writers. But, as Samuel Eliot Morison has pointed out, the Bostonians of the 1790-1820 period were sending their ships to the uttermost ends of the earth to open up new enterprises, to give employment to farmers' sons who might otherwise have starved to death, and to bring home a wealth that, in later years, was to open copper mines in Michigan and to tie the United States together with railroads. Was all of this to be dismissed merely because it wasn't written down in advance, as a "program" for national aspiration?

The springs of purpose are what they are, and they flow most freely in a climate in which intellectuals do not have the power to coerce those whom they regard as their inferiors. It is only when people are enslaved or oppressed (as in the Prussia of Napoleonic times, or in the America of 1775) that a single "national purpose" can be cultivated without danger to the individual human spirit. In a nation that is already free, the urge to force energies into a single channel can have the most untoward results. It is amid spasms of unitary thinking that nations do violence in the name of Manifest Destiny or impose censorships or cause dissenters to jump out of windows or establish concentration camps for those who refuse to acquiesce in the "general will." ◆

▶ THE ECONOMIC POINT OF VIEW. By Israel M. Kirzner. D. Van Nostrand. 228 pp. $5.50

Reviewed by George Reisman

IS ECONOMIC theory merely a body of deductions from a highly tenuous assumption concerning a particular human motive? A motive which may be present or absent, or present in varying degrees of strength, at different times and in different places? Are the teachings of economics true of nineteenth century England, but not of twen-

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tieth century Africa or first century Rome? Must the economist constantly endeavor to "test" whether or not his basic "assumption" concerning this particular human motive holds? Or is economics a body of deductions from a logically necessary truth, a statement which is true of human motivation in general at all times and in all places? And is the behavior of men in the real world always capable of being subsumed under this statement as a special case? These are some of the vital questions dealt with by Professor Kirzner in his valuable and scholarly book.

In the eyes of the early economists, the author points out, economics was a science of the laws of wealth, a science thought to deal with a class of external objects. It was impossible for economists to maintain this view, however, as soon as greater attention began to be called to the role of *man* in economics, particularly in exchanges. Emphasis shifted from the treatment of wealth to man's *desire* for wealth. In short order, economists constructed as the starting point of their science a hypothetical being known as the *homo economicus,* a creature whose sole desire was to amass the greatest possible amount of wealth. Naturally, such a construction was open to the most serious criticisms by those who sought to escape the logical constraints imposed upon the actions of governments by a science of economic law. For, it was argued, such beings simply do not exist, and any inferences drawn from the postulation of such a being can have no validity for the real world.

How Money Helps

This criticism, Professor Kirzner shows, is not true of economics as such, but only of the doctrines of a few economists. Most modern economists, he argues, have come to realize that the starting point of economics is not the groundless *assumption* that men seek to acquire the greatest possible amount of wealth, but the logically necessary fact that men seek to achieve the most important of their previously unachieved purposes. Necessarily, if men have purposes, they must seek to achieve them, and to achieve their more important purposes in preference to their less important ones. To the extent that men have purposes, they must desire the means to their achievement and take the actions necessary to accomplish them whatever the specific purposes may be.

It is only insofar as the possession of money affords a means of achieving one's purposes that

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money and the things which can be exchanged for money are desired by men. The desire for money, the author shows, is in no sense a reflection of a specifically economic motive, because money may be desired for all sorts of reasons – artistic and "spiritual" as well as "materialistic," altruistic as well as egoistic, reasons. In no sense, therefore, does one act "uneconomically" in giving money to charity, for example, or buying at a higher price from a nearby store rather than at a lower price from a store less conveniently located. For in both cases one acts purposefully. It is more important to give to charity, in this instance, than to acquire whatever else the money might buy; the greater convenience of the nearby store outweighs the value attached to whatever else the additional money might be used to acquire.

Only insofar as *other things are equal* does one desire to amass the greatest possible amount of wealth, to buy at the cheapest price, and sell at the dearest, and then necessarily so. For then – where there is no conflict between the acquisition of additional wealth and the achievement of purposes which cannot be achieved by means of the possession of wealth, and the possession of additional wealth is still a means to the achievement of some purpose – its acquisition becomes identical with the means of achieving purposes, and, hence, must be desired.

▶ IN MANY VOICES by Edward Hunter. Published by Norman College, Norman Park, Georgia. 190 pages, cloth $3.00; paper $2.00. Available from The Bookmailer, 209 East 34th Street, New York 16, N. Y.

Reviewed by August W. Brustat

THE AUTHOR of *Brainwashing in Red China* and *The Black Book on Red China,* experienced editor, foreign correspondent, and propaganda specialist, has, in this volume, "scooped" the foreign-language press. This area of our national life has never been fully explored until now. In eleven information-packed chapters this book discloses the unsuspected, powerful undercurrent in our society which influences the thinking of millions of Americans of more recent foreign ancestry.

Sixty-five daily newspapers in twenty foreign languages are currently printed and circulated in the United States. Adding the weekly, semimonthly, monthly, and quarterly foreign-language publications to the dailies, the number of such periodicals reaches the astounding figure of 655. The majority of these are pro-American, edited by men who are grateful

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for liberty and the opportunities provided for them in this favored land. But the enemies of freedom also use the foreign-language press to prey upon the minds of foreign-born and even second generation Americans. These anti-American publications peddle the Communist Party line, endeavor to induce defectors to return to the "Soviet Utopias" with promises of reward, and tighten the grip of blackmail upon those who still have relatives in the "home country."

Because many of the foreign-born are employed in large strategic industrial centers vital to America's security, the communist press concentrates its propaganda efforts mainly in these industrial areas. In this way many publications, even with comparatively small circulations, exert a tremendous impact and wield a great influence on these people. The printed material serves as a discussion medium in their clubs, lodges, social and business gatherings, and thus exerts its weight through personal contact, if not always by wide circulation. In addition, of course, tons of communist propaganda annually enter the United States from behind the Iron and Bamboo curtains.

The foreign-language press is an influence seriously to be reckoned with in our continuing fight for freedom. ◆

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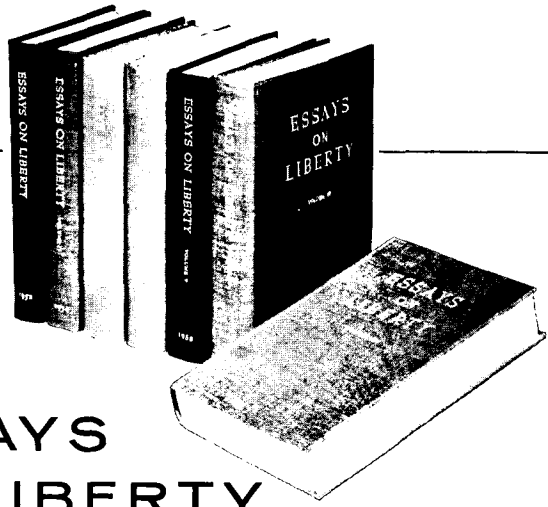

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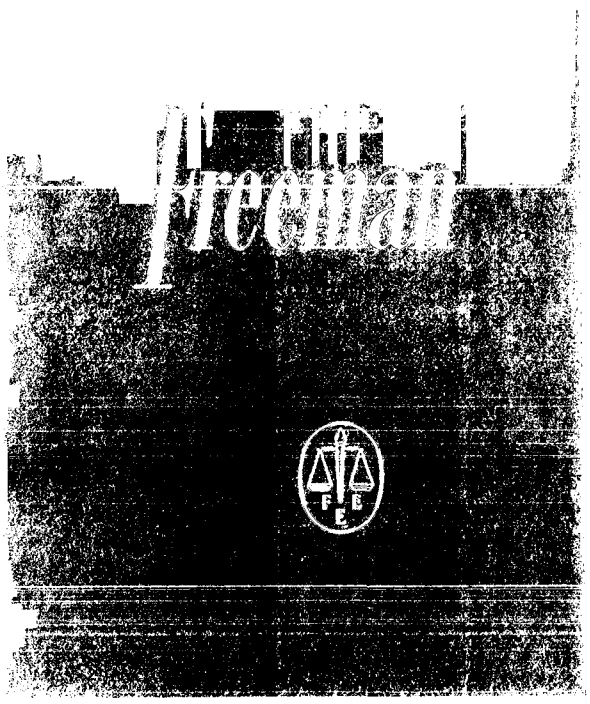

ON POWER

Power tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men, even when they exercise influence and not authority. There is no worse heresy than that the office sanctifies the holder of it.

LORD ACTON

In letter to Creighton, April 5, 1887

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